BG FIDUCIARIA
BANCA GENERALI

ANNUAL REPORT at 31.12.2017

BG FIDUCIARIA SIM S.P.A.

ANNUAL REPORT

at 31.12.2017

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BG FIDUCIARIA
BANCA GENERALI

ANNUAL REPORT at 31.12.2017

Board of Directors – 1 March 2018

BG FIDUCIARIA SIM S.P.A.
Governing and control bodies

Board of Directors	**Mario Andrea Beccaria**	Chairman
	Piero Mastrorosa	Managing Director
	Andrea Enrico Ragaini	Director
	Claudia Vacanti	Director
Board of Statutory Auditors	**Angelo Venchiarutti**	Chairman
	Luca Camerini	Acting Auditor
	Corrado Giammattei	Acting Auditor
	Nicola Serafini	Alternate Auditor
	Marco Visentin	Alternate Auditor
Independent Auditors	**BDO Italia S.p.A.**	

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at 31.12.2017

Board of Directors
1 March 2018

BOARD OF DIRECTORS' REPORT

The Company's net profit amounted to 948 thousand euros at 31 December 2017, down compared to 31 December 2016 (1,721 thousand euros).

The Asset Management Industry in 2017

Net inflows of the entire asset management industry remained at very high levels in 2017, coming to 135% higher than in 2016 and just slightly below the record values of 2015. Two-thirds of net inflows were into foreign UCITS, with discretionary mandates returning to positive territory with total assets of around 130 billion euros. After exceeding one million billion euros for the first time in 2016, industry-wide total assets climbed to 1.14 million billion euros.

The following table shows the evolution since 2015 of relative net inflows and assets under management by type of product/service type.

Assogestioni Net Inflows

	NET INFLOWS			ASSETS		
(€ MILLION)	12.2015	12.2016	12.2017	12.2015	12.2016	12.2017
Italian funds	26,280	5,274	15,779	234,442	242,246	259,094
Foreign funds	67,984	29,219	60,942	608,143	658,072	754,237
Total funds	**94,264**	**34,493**	**76,721**	**842,585**	**900,318**	**1,013,331**
Asset management	**16,643**	**-154**	**3,965**	**124,498**	**124,712**	**130,152**
Total	**110,907**	**34,339**	**80,686**	**967,083**	**1,025,030**	**1,143,483**

Source: Assogestioni.

Results

BG Fiduciaria had assets under management of 669 million euros at the end of 2017 (with 749 active management mandates), compared to 721 million euros as at 31 December 2016 (with 999 mandates).

The decrease in assets under management was a result of net outflows of -65 million euros, which were largely due to disinvestments from the GPM Exclusive discretionary mandates (-59 million euros), driven by the end of the product's five-year holding period for many clients. With regard to the other management lines, the major development was a transfer out of the GP Elite discretionary mandates (-78 million euros) to the more recent GP Star line (+72 million euros).

The modest contribution of new investments compared to disinvestments was generally due to commercial policy decisions by the distributor, which favour the marketing of new types of products and services, rather than the more traditional range offered by BG Fiduciaria. Another reason is that during the year it was decided to merge BG Fiduciaria into its Parent Company, Banca Generali.

The new Strategic Solution product line, launched in late 2016, in addition to the GP Star line discussed above, attracted net inflows of around 11 million euro.

Asset allocation – lines of investment

Assets under management are divided into five management lines. The bulk of assets continue to be attributable to the two historical product lines, Elite (407 million euros) and Exclusive (127 million euros), down significantly compared to December 2016, by 15% and 30%, respectively.

This was partially offset by the new Star line, which attracted 82 million euros of assets in just a few months, all as a result of switches from the Elite line.

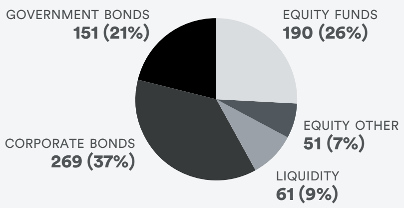
The Obiettivo fund management lines — distribution of which ceased several years ago — continued to decline gradually in 2017, coming to approximately 43 million euros, -9% compared to December 2016, whereas the new GP Strategic Solution more than doubled its 2016 values to approximately 11 million euros.

In keeping with the changed market opportunities, lower government bond yields and negative money market rates, in 2017 the portfolios' overall asset allocation showed a halving of the government bond (-10%) and money-market components (-4%), to the benefit above all of the corporate bond segment (+13%).

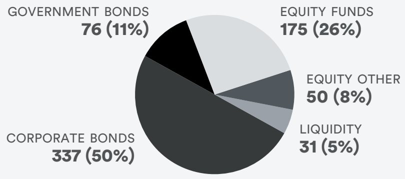
(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
Total GPM Elite	478.5	406.6	-15.0%	-78.3	6.4
- GMP Elite Standard	117.2	92.1	-21.4%	-26.0	0.9
- GMP Elite Customised	361.3	314.5	-13.0%	-52.3	5.5
GPM Exclusive	182.4	127.0	-30.4%	-58.5	3.1
GPF Obiettivo	47.1	43.0	-8.6%	-6.3	2.2
GPM Star	8.8	82.1	832.5%	72.1	1.2
GPM Strategic Solution	4.5	10.5	133.3%	6.0	0.0
Overall total	**721.3**	**669.2**	**-7.2%**	**-65.0**	**12.9**

Comparison with overall asset allocation 2016 vs. 2017
(€ million, %)

at 31.12.2016 - AUM 721 € million



at 31.12.2017 - AUM 669 € million



Distribution networks

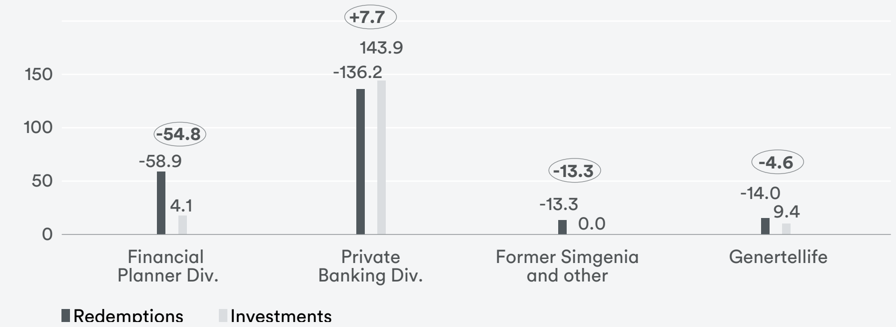
Again in 2017, the Financial Planner Division and the Private Banking Division of Banca Generali, as the distributor, continued to show a clearly distinct performance. In particular, the former, which at the beginning of the year had proportionally greater assets invested in the GPM Exclusive line (nearly 50% of the Division's total), with a low weight of personalised GPM Elite solutions (approximately 26% of the total), was affected by significant net outflows (approximately one-third of assets under management), with essentially nil inflows. Conversely, the Private Banking Division, for which the GPM Exclusive line accounted for a much lower percentage of the Division's total assets under management (20%), and customized GPM Elite for a much higher percentage (around 60%), reported net inflows (8 million euros). Actually, despite much greater divestments than reported by the FP Division, the Private Banking Division nonetheless continued to invest significantly in the management lines offered by BG Fiduciaria, above all in connection with the recruitment of new financial advisors and the new management lines offered. In particular, the new management lines Star and Strategic Solution were subscribed by the Private Banking Division only and attracted net inflows of 78 million euros in 2017.

Net inflows and evolution of AUM by distribution network

Net inflows

(€ MILLION)	INVESTMENTS	REDEMPTIONS	NET INFLOWS
Banca Generali Group:	**148.0**	**-208.4**	**-60.4**
Financial Planner Division	4.1	-58.9	-54.8
Private Banking Division	143.9	-136.2	7.7
Former Simgenia and Other	0.0	-13.3	-13.3
Other:	**9.4**	**-14.0**	**-4.6**
Genertellife	9.4	-14.0	-4.6
Overall total	**157.4**	**-222.4**	**-65.0**

Investments and divestments: Investments - redemptions (€ million)

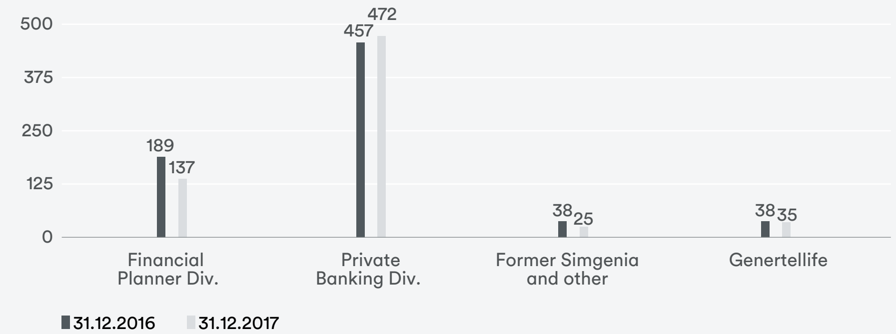


Assets Under Management

(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
Banca Generali Group:	**683.6**	**634.2**	**-7.2%**	**-60.4**	**11.0**
Financial Planner Division	188.8	137.3	-27.3%	-54.8	3.3
Private Banking Division	457.0	472.1	3.3%	7.7	7.4
Former Simgenia and Other	37.8	24.8	-34.5%	-13.3	0.3
Other:	**37.6**	**34.9**	**-7.1%**	**-4.6**	**1.9**
Genertellife	37.6	34.9	-7.1%	-4.6	1.9
Overall total	**721.2**	**669.1**	**-7.2%**	**-65.0**	**12.9**

AUM by network
at 31.12.2017 vs 31.12.2016
(€ million)

Assets Under Management

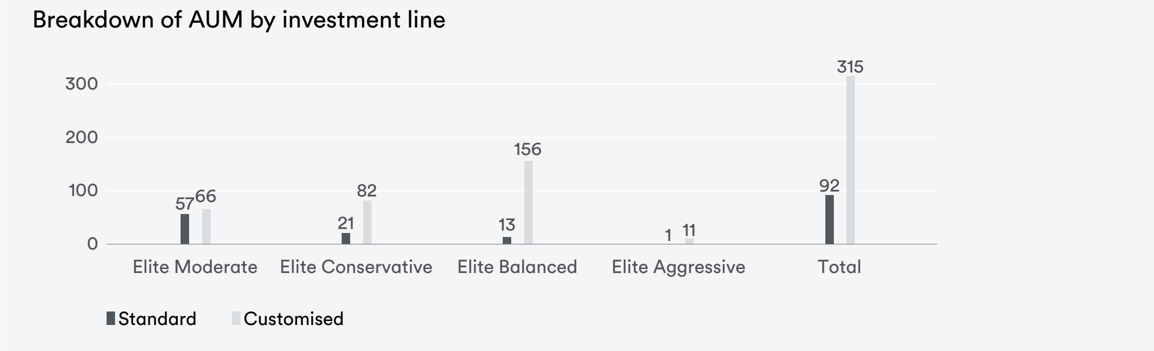


Net inflows and evolution of AUM broken down by management line

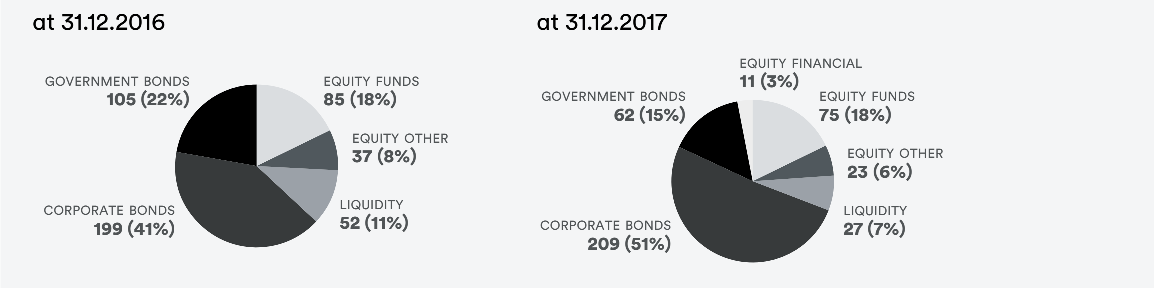
GPM Elite

(€ BILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
BG Group	**478.5**	**406.6**	**-15.0%**	**-78.3**	**6.4**
Financial Planner Division	91.0	72.6	-20.2%	-19.7	1.3
Private Banking Division	349.7	309.2	-11.6%	-45.3	4.8
Former Simgenia and other	37.8	24.8	-34.5%	-13.3	0.3

AUM by product at 31.12.2017
(€ million)



Comparison with Asset Allocation 2016 vs. 2017
(€ million, %)



GPM Elite Standard

(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
BG Group	**117.2**	**92.1**	**-21.4%**	**-26.0**	**0.9**
Financial Planner Division	42.0	33.6	-19.9%	-8.4	-
Private Banking Division	71.6	56.4	-21.4%	-16.4	1.2
Former Simgenia and Other	3.6	2.1	-41.0%	-1.2	-0.3

GMP Elite Customised

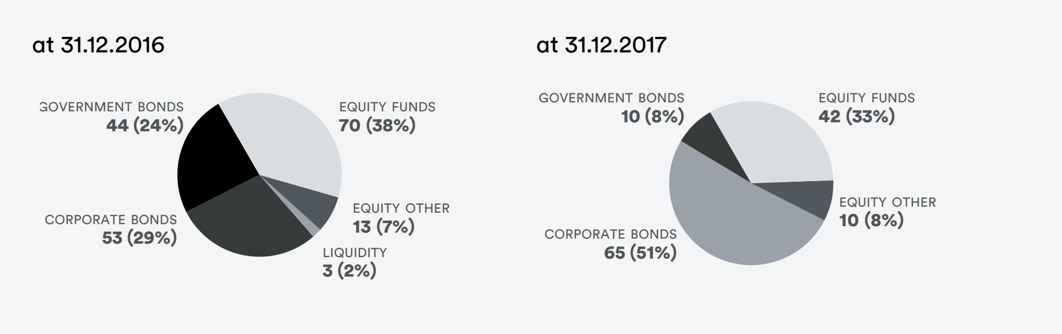
(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
BG Group	**361.3**	**314.5**	**-13.0%**	**-52.3**	**5.5**
Financial Planner Division	49.1	39.0	-20.7%	-11.3	1.2
Private Banking Division	278.0	252.8	-9.1%	-28.9	3.7
Former Simgenia and Other	34.2	22.7	-33.5%	-12.1	0.6

GPM Elite Exclusive

(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
BG Group	**182.4**	**127.0**	**-30.4%**	**-58.5**	**3.1**
Financial Planner Division	90.4	58.2	-35.6%	-34.0	1.8
Private Banking Division	92.0	68.8	-25.2%	-24.5	1.3

AUM GPM
Exclusive by Asset Class
(€ million)

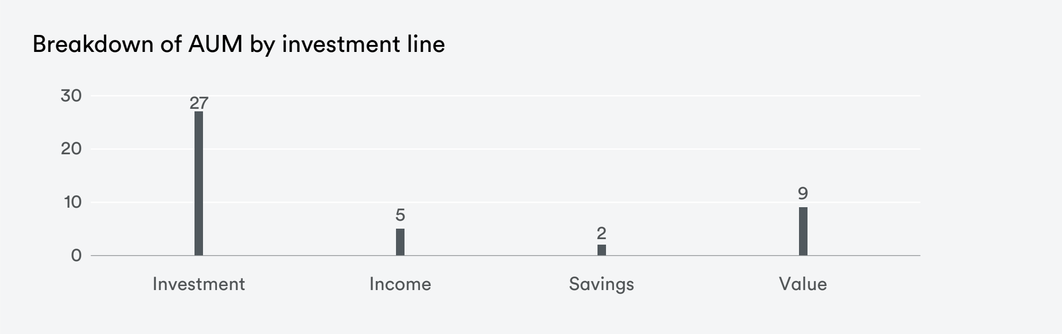
Comparison with Asset
Allocation 2016 vs. 2017
(€ million, %)



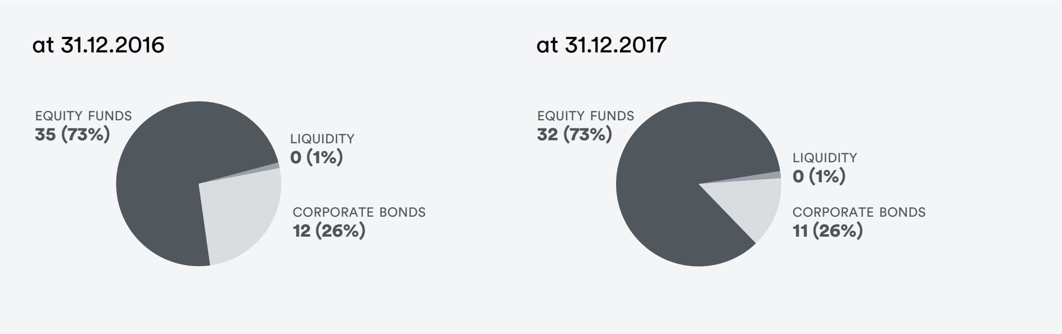
GPF Obiettivo

(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
BG Group	**9.5**	**8.1**	**-14.4%**	**-1.7**	**0.3**
Financial Planner Division	7.4	6.5	-11.9%	-1.2	0.3
Private Banking Division	2.1	1.6	-23.3%	-0.5	-
Other	**37.6**	**34.9**	**-7.1%**	**-4.6**	**1.9**
Genertellife	37.6	34.9	-7.1%	-4.6	1.9
Overall total	**47.1**	**43.0**	**-8.6%**	**-6.3**	**2.2**

AUM GPF Obiettivo
by Asset Class
(€ million)



Comparison with Asset
Allocation 2016 vs. 2017
(€ million, %)



GPM Star

(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
BG Group	**8.8**	**82.1**	**832.5%**	**72.1**	**1.2**
Financial Planner Division	-	-	-	-	-
Private Banking Division	8.8	82.1	832.5%	72.1	1.2
Overall total	**8.8**	**82.1**	**832.5%**	**72.1**	**1.2**

GPM Strategic Solution

(€ MILLION)	AUM AT 31.12.2016	AUM AT 31.12.2017	AUM Δ %	NET INFLOWS	Δ VALUE
BG Group	**4.5**	**10.5**	**133.3%**	**6.0**	**-**
Financial Planner Division	-	-	-	-	-
Private Banking Division	4.5	10.5	133.3%	6.0	-
Overall total	**4.5**	**10.5**	**133.3%**	**6.0**	**-**

Returns and Benchmarks

	TIME-WEIGHTED ACTUAL GROSS RETURN	TIME-WEIGHTED BENCHMARK RETURN	SPREAD	TIME-WEIGHTED ACTUAL NET RETURN	TIME-WEIGHTED BENCHMARK RETURN	SPREAD
Elite:						
Elite - Aggressive	13.2%	10.2%	3.0%	10.2%	13.2%	-3.0%
Elite - Balanced	9.9%	7.3%	2.6%	7.3%	9.9%	-2.6%
Elite - Conservative	2.9%	0.7%	2.2%	0.7%	2.9%	-2.2%
Elite - Moderate	5.7%	4.1%	1.6%	4.1%	5.8%	-1.7%
Exclusive:						
Exclusive	4.2%	1.8%	2.4%	1.8%	4.3%	-2.5%
Exclusive Defensive	2.0%	0.8%	1.2%	0.8%	2.0%	-1.2%
Exclusive Value	4.2%	2.9%	1.3%	2.9%	4.2%	-1.3%
Obiettivo:						
Obiettivo - Investment	6.6%	5.2%	1.4%	5.2%	6.6%	-1.4%
Obiettivo - Income	2.0%	1.5%	0.5%	1.5%	2.0%	-0.5%
Obiettivo - Savings	2.6%	1.2%	1.4%	1.2%	2.6%	-1.4%
Obiettivo - Value	5.3%	3.9%	1.4%	3.9%	5.3%	-1.4%
Star:						
Star - Balanced	3.0%	1.7%	1.3%	1.9%	3.1%	-1.2%
Star - Moderate	3.5%	2.4%	1.1%	2.3%	3.4%	-1.1%
Strategic Solution:						
Strategic Solution – Conservative	2.4%	1.8%	0.6%	1.8%	2.4%	-0.6%

YTD figures updated as of 31 December 2017.
Gross Benchmark return.

OTHER COMPANY NEWS

Despite the repeal of Article 34, paragraph 1, of Legislative Decree No. 196/2003, the Company drew up a document entitled Privacy Report, replacing its Data Security Plan and the signing of which was reported during the Board of Directors' meeting held on 27 March 2017. In fact, it was considered that this document represents a security measure providing protection against the risks of the destruction or loss of data, unauthorised access or improper processing, pursuant to Article 31 of Legislative Decree No. 196/2003.

The Company continued to fully comply with all obligations imposed on organisations that process personal information by the aforementioned Decree.

The Company did not conduct research and development activity during year. Additionally, it did not hold at 31 December 2017, nor has it ever held, own shares or shares of its Parent Company.

The Internal Audit Department of the Parent Company, Banca Generali, is responsible for conducting internal auditing on behalf of BG Fiduciaria SIM (BGF), in accordance with the outsourcing agreement in place, which allows the Parent Company of the Banking Group to centralise the internal audit function within a group company and the brokerage company to outsource this function to third parties, subject to assessment by Bank of Italy and following consultation with Consob, for matters with their respective remits.

On the one hand, from a third-level standpoint, the Function is tasked with assessing the completeness, adequacy, functionality and reliability of the overall Internal Control System and ICT system, checking and performing onsite audits of the regular conduct of operations and the evolution of risks, while also supporting company bodies, the Board of Directors, the Board of Statutory Auditors, and the Managing Director in defining the structure of the internal control and corporate governance system and providing possible improvements to risk management.

Audit work is based on methodologies and internal and external standards specified in the function's Rules and Procedures. As part of its activities, Internal Audit checked:
> the quality and appropriateness of internal and external disclosures in accordance with the corporate values of substantive and procedural fairness and transparency, confirming the traceability and verifiability of operations, and activities pertaining to business management, in general;
> the reliability of accounting and management data and the functioning of controls of reporting processes;
> the adequacy of IT systems and compliance with security requirements;
> compliance with privacy legislation, with the aim of preventing fraud against the Company and the market.

Following the plan to merge BG Fiduciaria into Banca Generali, Internal Audit verified that the internal audit and risk governance system implemented within Banca Generali is adequate to permit the process of the merger and management of the merged assets acquired from BG Fiduciaria.

Particular attention was devoted to control processes and procedures at various levels of the organisation, due to the effective contribution of the company's top management and company control functions.

In view of the professional development and growth of the company population, in February 2017, as done every year, the "Qualitative Performance Assessment" process was launched. This process is an opportunity for feedback from the Banca Generali Banking Group's entire population of executives and professionals.

The purpose of the initiative is to share the previous year's performance assessment and establish a point of departure for the professional development plan, in addition to assessing possible job rotation opportunities. In addition, all of BG Fiduciaria's people managers were involved in a training process aimed at increasing communication efficiency in interviews with the submission of feedback during the management performance cycle.

BG Fiduciaria's top management took part in a training session focused on mission and vision content and on the strategic projects planned for the current year; this was then followed by a cascading plan for all resources coordinated launched in June 2017: this important project was aimed at explaining the strategy to shorten the chain of communication and ensure that all employees have the same vision of the Company in order to ensure that projects are completed more efficiently.

In 2017, there were individual assessments projects, aimed at assessing the participants' potential to contribute to the growth of the organisation and to increase the managers' self-awareness and engagement. The project will result in the formulation of customised development plans.

During the year, specific training continued with the aim of honing technical skills, alongside the customary mandatory training regarding legislation and security. Specifically, the entire BG Fiduciaria population took part in a classroom training session dedicated to anti-money laundering issues and a Qualified Intermediary online based training session as part of the Compliance Programme relating to the signing by Banca Generali of the renewal of the Agreement with the Internal Revenue Service (the U.S. tax authority).

The following agreements relating to trade union relations were reached at the Banca Generali Group level (Italian companies):

> on 25 October 2017: agreement on the introduction with effect from January 2018 of cover for death, total and permanent disability and dread disease, with the premium to be paid solely by the company. On the same date, as a spin-off of the company bonus agreement, an agreement was also reached regarding the payment of a one-off sum by way of additional supplementary contribution;
> an increase in the limits on reimbursement of cancer treatment expenses was implemented by specific agreement on 6 December 2017;
> the company bonus agreement for 2017 and 2018, including confirmation of the welfare payment option, was defined in a timely manner on 12 December 2017.

Mention should also be made of the successful completion of the trade union consultation procedure regarding the merger of BG Fiduciaria Sim into Banca Generali, sealed by the trade union agreement reached on 14 July 2017, pursuant to Article 47 of Law No. 428/90 and the related provisions of the National Collective Bargaining Agreement for the Credit Sector.

Operating performance – analysis of main items of the balance sheet and profit and loss account

The profit and loss account for the year ended 31 December 2017 presents a net profit of 948 thousand euros, down from 1,721 thousand euros in the year ended 31 December 2016.

Total assets amounted to 21,214 thousand euros, up from 20,059 thousand euros at the end of 2016.

Comments on the main items of the balance sheet and profit and loss account, compared with the figures as at and for the year ended 31 December 2016, are presented below.

Balance Sheet

Available-for-sale assets amounted to 4 thousand euros. This figure is the result of the purchase by BG Fiduciaria Sim S.p.A. on 19 December 2008 of an equity interest in GBS, Generali Business Solution S.C.p.A., a consortium company specialised in providing IT and administrative services to Assicurazioni Generali Group companies.

Receivables increased by 2,482 thousand euros compared to the end of 2016 and consisted largely of cash balances of current accounts and receivables arising on asset management activity.

Property and equipment and intangible assets were nil, since they had been fully depreciated and amortised in previous years.

Tax assets decreased by 148 thousand euros compared to the end of 2016. Specifically, current assets declined by 163 thousand euros, whereas deferred tax assets increased by 15 thousand euros.

Other assets, which decreased by 1,179 thousand euros compared to 31 December 2016, include amounts receivable from the Italian Treasury for stamp duty of 1,123 thousand euros and prepaid expenses of 501 thousand euros (of which 496 thousand euros relating to the prepayment of expenses by the Company in connection with Exclusive management services). These expenses accrue over the financial product's holding period in order to ensure the closest possible correlation between costs and revenues.

Payables amounted to 565 thousand euros, down by 101 thousand euros compared to the end of 2016. They consisted primarily of amounts due to banks and refer to the debt that BG Fiduciaria SIM S.p.A. owes to Banca Generali for outsourcing contracts and seconded personnel and operating payables for cost charge-backs.

Other liabilities increased by 225 thousand euros compared to the end of 2016. They consist largely of amounts payable to suppliers, the Italian Treasury, social-security agencies and employees. At the level of individual items, the main difference has to do with the increase in amounts due to the Treasury for capital gains tax accrued in 2017.

Employee termination indemnities amounted to 505 thousand euros and were measured on the basis of an actuarial estimate of the amount that the Company will have to pay upon termination of employment.

Provisions for liabilities and contingencies, which amounted to 168 thousand euros, increased by 58 thousand euros compared to December 2016, largely attributable to deferred welfare provisions.

The increase in the item "Reserves" of 1,721 thousand euros was due to carry-forward of retained earnings from the previous year.

Profit and Loss Account

Fee income from core business amounted to 7,548 thousand euros, down by 7.1% on 2016. This decrease was due less to the decline in overall average AUM (-2.4%) than to the decline in the average AUM of the most profitable management line (GPM Exclusive: -21%), which entailed a decrease in the average percentage management fee (-6%).

Fee expense of 3,324 thousand euros also declined compared with the same period of 2016, but by a slightly higher percentage (-7.8%).

This was due above all to a greater reduction at the end of the year of the prepaid fee expenses as a result of the bonuses granted to customers subscribing for the GPM Exclusive line (the cost of which has been spread over the five-year contractual holding period) as many clients reached the end of their holding periods.

The trends in fee income and expense described above resulted in a decline in net fees of 6.5%. The item amounted to 4,224 thousand euros in 2017, down by 294 thousand euros from 4,518 thousand euros in the same period of 2016. Adding net interest income and net income from trading results in net banking income of 4,211 thousand euros, compared to 4,517 thousand euros in the previous year (-7.1%).

No impairment losses were recognised on financial assets in 2017. On the other hand, in 2016 an amicable settlement was reached in the arbitration initiated by the Parent Company, Banca Generali, against Intesa Sanpaolo, from which Intesa Fiduciaria (now BG Fiduciaria) had been purchased, resulting in the payment to BG Fiduciaria of the sum of 150 thousand euros.

Total administrative expenses amounted to 3,877 thousand euros at 31 December 2017, up by 489 thousand euros compared with 2016.

The increase was due solely to staff expenses, which amounted to 1,880 thousand euros, up by 530 thousand euros compared to 2016. The difference is largely due to the termination of the employment of a manager with effect from 1 July 2017.

Other administrative expenses, relating to the Company's operations, amounted to 1,997 thousand euros and decreased by 2% on the same period of 2016 (2,038 thousand euros). Within this item, stamp duty advanced on behalf of customers amounted to 1,062 thousand euros. This cost is then fully recovered from other operating income and expenses. Mention should also be made of costs of IT services of 67 thousand euros for the migration of management data in view of the merger with the Parent Company, Banca Generali.

Other operating income and expenses amounted to 1,103 thousand euros and were almost entirely attributable to the recovery of stamp duty advanced on behalf of customers (1,062 thousand euros).

Together, the above components yield a gross operating result of 1,437 thousand euros, down by 940 thousand euros compared with 2016. This result also reflected taxes of 489 thousand euros.

Net profit for the year ended 31 December 2017 thus amounted to 948 thousand euros, down by 774 thousand euros compared with 2016 (-44.9%).

Transactions with parent companies and subsidiaries of parent companies

The Company has dealings of a financial and commercial nature with Banca Generali S.p.A. — of which BG Fiduciaria is a fully-owned subsidiary and which exercises management and coordination over the Company — and with its subsidiaries. Such transactions are governed by specific intra-Group contracts, drafted in a manner that is fair, transparent and uniform, and are based on market prices.

In detail, transactions executed between the Company and these related parties can be classified into the following categories:

> current accounts, custody and administration of securities with the Parent Company;
> an account overdraft facility agreement with the Parent Company;
> secondment of personnel to and from the Parent Company;
> distribution agreements for financial products with the Parent Company for the conduct of the Company's core business;
> outsourcing and company service agreements with the Parent Company, Banca Generali, for services such as tier-II and tier-III control functions, legal affairs and secretarial services, facility management, accounting and financial reporting;
> an outsourcing agreement for risk management activity with BG Fund Management Luxembourg SA;
> personnel secondment relationships with Generfid.

Transactions with the Parent Company and the Related Companies of the Banca Generali Group and the Assicurazioni Generali Group

COUNTERPARTY (€)	ASSETS	LIABILITIES	CHARGES	INCOME
Banca Generali S.p.A.	15,509,737	588,691	2,679,049	69,955
Generfid S.p.A.	-	-	-	154,263
BG Fund Management Luxembourg S.A.	-	96,455	194,702	-
Other entities of the Assicurazioni Generali Group	208,671	6,750	93,444	629,027
Total	**15,718,408**	**691,896**	**2,967,195**	**853,245**

Main Risks and Uncertainties

Operating risk can be defined as the possibility of loss resulting from the inadequacy or failure of processes, human resources or internal systems, or from external events. This category includes losses deriving from fraud, human error, interrupted operations, system breakdown, breaches of contract, and natural disasters. Operating risk includes legal risk, which is the risk of losses arising from breaches of laws or regulations, liability under contract or in tort, or other disputes.

Operating risk is intrinsically linked to all of the SIM's operations that involve the use of human resources, processes, systems and tangible and intangible assets.

The Risk Management function, outsourced to Banca Generali, is responsible for identifying, measuring, controlling and managing operating risks.

The Internal Audit function, outsourced to Banca Generali, checks and assesses the functionality of corporate systems and procedures, as well as the overall internal control system adopted with a view to ensuring that all of the same are appropriate, effective and fully operational.

The loss measurement systems are accounting by nature and are subject to monitoring by assigned structures through information system files.

To reinforce the efficacy of the control safeguards identified, the Company's Board of Directors, in compliance with legal obligations, has approved a Business Continuity Plan.

Moreover, the company has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and for damages caused by providers of infrastructure and services.

Credit/counterparty risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure.

BG Fiduciaria does not engage in lending. The credit exposures presented in its financial statements refer solely to current account balances and amounts receivable arising from management activity. Credit risk is assessed according to the instructions provided by the Supervisory Authority, drawing the data from the accounting system and reclassifying them as required for the analysis.

The effective management of compliance risk, defined as the risk that the Company may incur legal or administrative penalties, significant financial losses or reputational damages as a result of the breach of laws, regulations or voluntary codes of conduct, as well as money laundering and terrorist financing activity, defined as the risk of involvement, including unintentional, of the Company in such offences, requires a company culture that promotes integrity, propriety and compliance with the spirit of the law in accordance with the principle of proportionality and the entity's size and specific operational characteristics.

In this context, compliance is a process that permeates the entirety of each Banca Generali Group company's activities and organisation (including BG Fiduciaria), beginning with the definition of company values and strategies and extending to influencing the definition of policies, internal procedures, operating practices and conduct.

Accordingly, compliance is most effectively pursued in a company context that emphasises the principles of honesty and integrity and applies to each resource by involving company boards, committees, the compliance function and, more generally, all employees and contract professionals.

In this general scenario, in order to achieve adequate, coordinated oversight of activities, the organisational model adopted to manage the above-mentioned compliance risk involves centralising the Compliance function with the Group's Parent Company, which also provides the service to BG Fiduciaria.

According to the model adopted by the Group, a compliance contact person has been identified within the Company, with the task of playing a supporting role to the Parent Company's Compliance function.

During 2017, the Compliance function focused on those areas of activity and processes that, because they are inherently complex or more extensively affected by changes in the law, require revision or implementation or present compliance risk in need of management action. In accordance with the provisions of the Regulation of the Bank of Italy and of Consob pursuant to Article 6, paragraph 2-*bis*, of the Consolidated Finance Act (TUF) and the Supervisory Provisions governing compliance functions, the activities performed by the Compliance function are as follows:
> advising on implementing processes and/or changing existing processes in order to ensure that they comply with applicable laws and regulations;
> assessing the compliance of existing processes within the scope of the tasks typically assigned to second-tier control functions.

In 2017, the activities described above focused in particular on:
> the disclosure obligations of supervised entities pursuant to Consob resolution No. 17297 of 28 April 2010;
> matters relating to the management of conflict of interest and personal transactions carried out by relevant persons;
> support for activities relating to compliance with FATCA ("Foreign Account Tax Compliance Act") and the CRS (Common Reporting Standard);
> support for activities relating to the renewal of the Qualified Agreement;
> the need to ensure constant monitoring of obligations relating to compliance with corporate criminal liability statutes (Legislative Decree No. 231/2001);
> verification relating to the provision of portfolio management service and the efficacy of the safeguards adopted in respect to rules on conflict of interest, personal transactions and best execution, in addition to verification in tax compliance matters.

Moreover, the monitoring of the stage of progress of the implementation of corrective measures identified in the context of verifications previously conducted but not yet completed was carried out.

The Compliance function also provided consulting support for activities relating to the merger of BG Fiduciaria SIM into the Parent Company, Banca Generali, with effect from 1 January 2018.

In 2017, activity specifically relating to the Anti-Money Laundering function focused in particular on the following:
> the control of anti-money laundering obligations relating to reporting suspect transactions and submission of aggregate statistical reports;
> the monitoring of the assessment of potentially anomalous transactions selected by the specific detection programme adopted by BG Fiduciaria and the enhanced customer due diligence process;
> the control of the proper fulfilment of the obligations relating to the adequate customer due diligence process;
> the performance of periodic verification of the inputting of data into the Consolidated Electronic Archive using the diagnostic software adopted;
> consulting for company functions relating to the application of anti-money laundering laws.

Post Balance Sheet Events

There were no significant events after the reporting date of these financial statements, except as discussed in the following paragraph.

Outlook

On 6 June 2017, the Board of Directors of BG Fiduciaria approved the plan for its merger into the Parent Company Banca Generali, to be closed by 31 December 2017 and to enter into effect from 1 January 2018. The Board of Directors' of Banca Generali approved the same Plan on 22 June. The terms and conditions were submitted to the Bank of Italy for the appropriate authorisations. In parallel, working groups were formed with the aim of investigating all the issues relating to the requested merger. Accordingly, once authorisation was received 21 August 2017, it was possible to move forward with an effective, orderly process, with the aim, above all else, of protecting current customers, with the consequences indicated above, including discontinuation of operation by BG Fiduciaria.

PROPOSAL FOR THE ALLOCATION OF NET PROFIT

The Financial Statements at 31 December 2017, which we submit for your approval, closed with a net profit for the year of 947,765.46 euros, which we propose to fully carry forward.

It should be noted that, should you approve this proposal, your Company's net equity will be broken down as follows:

(€)	
Share capital	5,200,000.00
Legal Reserve	1,040,000.00
Extraordinary reserve	996,537.95
Payments for future capital increases	17,834.19
Revaluation reserve	-87,232.45
Retained earnings	11,136,385.08
Total Net equity	**18,303,524.77**

Net equity is compliant with the prudential capital requirements imposed under the Supervisory provisions established by the Bank of Italy for securities brokerage firms.

Milan, 1 March 2018

The Board of Directors

2.
FINANCIAL STATEMENTS OF BG FIDUCIARIA SIM S.P.A. at 31.12.2017

Board of Directors
1 March 2018

FINANCIAL STATEMENTS

BALANCE SHEET

Assets

(€)		31.12.2017	31.12.2016
40.	AFS financial assets	4,386	4,386
60.	Loans and receivables	19,252,554	16,770,699
120.	Tax receivables:	324,783	472,582
	a) current	250,234	412,722
	b) prepaid	74,549	59,860
140.	Other assets	1,632,317	2,811,415
	Total Assets	**21,214,040**	**20,059,082**

Net Equity and Liabilities

(€)		31.12.2017	31.12.2016
10.	Payables	565,055	665,711
70.	Tax liabilities:	2,694	2,694
	a) current	-	-
	b) deferred	2,694	2,694
90.	Other liabilities	1,668,887	1,443,544
100.	Employee termination indemnities	505,379	477,077
110.	Provisions for liabilities and contingencies:	168,500	110,105
	b) other provisions	168,500	110,105
120.	Share capital	5,200,000	5,200,000
160.	Reserves	12,242,992	10,521,626
170.	Valuation reserves	-87,232	-83,041
180.	Net profit (loss) for the year	947,765	1,721,366
	Total Net Equity and Liabilities	**21,214,040**	**20,059,082**

PROFIT AND LOSS ACCOUNT

Items

(€)		2017	2016
10.	Net income (loss) from trading activities	4,352	-202
50.	Fee income	7,547,679	8,123,172
60.	Fee expense	-3,324,131	-3,605,397
70.	Interest income and similar revenues	1,100	39
80.	Interest expense and similar charges	-17,757	-337
	Net banking income	**4,211,243**	**4,517,275**
100.	Net adjustments due to impairment of:		
	a) financial assets	-	150,000
110.	General and administrative expense	-3,876,761	-3,388,183
	a) staff expenses	-1,880,246	-1,349,888
	b) other general and administrative expense	-1,996,515	-2,038,295
150.	Net provisions for liabilities and contingencies	-	-49,041
160.	Other operating income and expenses	1,102,526	1,146,647
	Operating result	**1,437,008**	**2,376,698**
	Net profit (loss) from continuing operations before income taxes	**1,437,008**	**2,376,698**
190.	Income taxes for the year on continuing operations	-489,243	-655,332
	Net profit (loss) from continuing operations net of income taxes	**947,765**	**1,721,366**
	Net profit (loss) for the year	**947,765**	**1,721,366**

STATEMENT OF COMPREHENSIVE INCOME

Items

(€)		2017	2016
10.	**Net profit (loss) for the year**	**947,765**	**1,721,366**
	Other income net of income taxes, without transfer to Profit and Loss Account		
40.	Defined benefit plans	-4,192	-15,050
130.	**Total other income net of income taxes**	**-4,192**	**-15,050**
140.	**Comprehensive income (Items 10 + 130)**	**943,573**	**1,706,316**

STATEMENT OF CHANGES IN NET EQUITY

				ALLOCATION OF NET PROFIT OF THE PREVIOUS YEAR		CHANGES DURING THE YEAR							
							EQUITY TRANSACTIONS						
(€)	AMOUNTS AT 31.12.2016	CHANGE IN OPENING BALANCES	AMOUNTS AT 01.01.2017	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGE IN RESERVES	ISSUE OF NEW SHARES	BUY-BACK OF TREASURY SHARES	EXTRAOR-DINARY DIVIDEND PAYOUT	CHANGE IN EQUITY INSTRUMENTS	OTHER CHANGES	COMPRE-HENSIVE INCOME AT 31.12.2017	NET EQUITY AT 31.12.2017
Share capital	5,200,000	-	5,200,000	-	-	-	-	-	-	-	-	-	5,200,000
Share premium reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:													
a) retained earnings	10,502,569	-	10,502,569	1,721,366	-	-	-	-	-	-	-	-	12,223,935
b) other	19,057	-	19,057	-	-	-	-	-	-	-	-	-	19,057
Valuation reserves	-83,041	-	-83,041	-	-	-	-	-	-	-	-	-4,192	-87,233
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the year	1,721,366	-	1,721,366	-1,721,366	-	-	-	-	-	-	-	947,765	947,765
Net equity	**17,359,951**	**-**	**17,359,951**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**943,573**	**18,303,524**

				ALLOCATION OF NET PROFIT OF THE PREVIOUS YEAR		CHANGES DURING THE YEAR							
							EQUITY TRANSACTIONS						
(€)	AMOUNTS AT 31.12.2015	CHANGE IN OPENING BALANCES	AMOUNTS AT 01.01.2016	RESERVES	DIVIDENDS AND OTHER ALLOCATIONS	CHANGE IN RESERVES	ISSUE OF NEW SHARES	BUY-BACK OF TREASURY SHARES	EXTRAOR-DINARY DIVIDEND PAYOUT	CHANGE IN EQUITY INSTRUMENTS	OTHER CHANGES	COMPRE-HENSIVE INCOME AT 31.12.2016	NET EQUITY AT 31.12.2016
Share capital	5,200,000	-	5,200,000	-	-	-	-	-	-	-	-	-	5,200,000
Share premium reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves:													
a) retained earnings	8,566,876	-	8,566,876	1,935,693	-	-	-	-	-	-	-	-	10,502,569
b) other	19,057	-	19,057	-	-	-	-	-	-	-	-	-	19,057
Valuation reserves	-67,991	-	-67,991	-	-	-	-	-	-	-	-	-15,050	-83,041
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss) for the year	1,935,693	-	1,935,693	-1,935,693	-	-	-	-	-	-	-	1,721,366	1,721,366
Net equity	**15,653,635**	**-**	**15,653,635**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,706,316**	**17,359,951**

CASH FLOW STATEMENT

Indirect method

(€)	2017	2016
A. OPERATING ACTIVITIES		
1. Operations:	**1,153,958**	**1,020,456**
Net profit (loss) for the year	947,765	1,721,366
Net adjustments of property, equipment and intangible assets	-	-
Net provisions for liabilities and contingencies and other costs/revenues	58,395	-262,902
Taxes, duties and tax credits not paid	147,798	-438,008
2. Liquidity generated by/used for financial assets:	**1,260,434**	**3,218,325**
AFS financial assets	-	-
Due from banks	4,124	-3,492
Due from financial institutions	-	-15,839
Due from customers	77,212	2,691,230
Other assets	1,179,098	546,426
3. Liquidity generated by/used for financial liabilities:	**152,989**	**-3,124,005**
Due to banks	-100,656	-81,551
Due to financial institutions	-	-
Due to customers	-	-
Other liabilities (including termination indemnities)	253,645	-3,042,454
Net liquidity generated by/used for operating activities	**2,567,382**	**1,114,776**
B. INVESTING ACTIVITIES		
1. Liquidity generated by:	**-**	**-**
Disposal of equity investments	-	-
Disposal of property and equipment	-	-
Disposal of intangible assets	-	-
2. Liquidity used for:	**-**	**-**
Purchase of equity investments	-	-
Purchase of property and equipment	-	-
Purchase of intangible assets	-	-
Net liquidity generated by/used for investing activities	**-**	**-**
C. FUNDING ACTIVITIES		
Distribution of dividends and other	-4,192	-15,050
Net liquidity generated by/used for funding activities	**-4,192**	**-15,050**
NET LIQUIDITY GENERATED/USED IN THE YEAR	**2,563,190**	**1,099,726**

RECONCILIATION		
Cash and cash equivalents (including current accounts) at year-start	12,946,849	11,847,123
Cash and cash equivalents (including current accounts) generated/used in the year	2,563,190	1,099,726
Cash and cash equivalents (including current accounts) at year-end	15,510,039	12,946,849

Legend:
(+) Liquidity generated;
(-) Liquidity used.

NOTES AND COMMENTS

PART A – ACCOUNTING POLICIES

A.1 – General

Section 1 – Statement of compliance with International Accounting Standards

The Financial Statements closed at 31 December 2017 were drawn up in compliance with international accounting standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and interpretation of the International Financial Reporting Interpretations Committee (IFRIC), and endorsed at European level by Regulation No. 1606 of 19 July 2002.

International Accounting Standards endorsed in 2017 and effective as of 2017

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
Amendments to IAS 7 — Disclosure Initiative (issued on 29 January 2016)	2017/1990	09.11.2017	01.01.2017
Amendments to IAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	2017/1989	09.11.2017	01.01.2017

International Accounting Standards endorsed but not yet effective

	ENDORSEMENT REGULATIONS	PUBLICATION DATE	EFFECTIVE DATE
IFRS 9 — Financial Instruments	2016/2067	29.11.2016	01.01.2018
Amendments to IFRS 4 — Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016)	2017/1988	09.11.2017	01.01.2018
IFRS 15 — Revenue from contracts with customers	2016/1905	29.10.2016	01.01.2018
Clarifications to IFRS 15 — Revenues (issued on 12 April 2016)	2017/1987	09.11.2017	01.01.2018
IFRS 16 — Leases (issued on 13 January 2016)	2017/1986	09.11.2017	01.01.2019

Bank of Italy Circular “Financial statements of IFRS intermediaries other than banking intermediaries” issued on 9 December 2016

The financial statements as at and for the year ended 31 December 2017 have been drafted according to Bank of Italy Circular “Financial statements of IFRS intermediaries other than banking intermediaries” issued on 9 December 2016.

Section 2 – Preparation criteria

The Financial Statements consist of the following documents:
> Balance Sheet;
> Profit and Loss Account;
> Statement of Other Comprehensive Income;
> Statement of Changes in Equity;
> Cash Flow Statement;
> Notes and Comments.

The accounts are accompanied by a Directors’ report on the Company’s operations, financial situation, profit and loss and balance sheet results.
The financial statements of BG Fiduciaria have been prepared on a going concern basis (at least 12 months), given the information specified in Section 4. Consequently, costs and income have been presented in the profit and loss account on an accrual basis. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are not considered material. Assets and liabilities, and income and expenses, shall not be offset unless expressly required or permitted by a Standard or an Interpretation.

The financial statements have been clearly prepared and provide a true and fair account of equity, financial position, cash flows and the operating result for the year.
Items that do not include amounts pertaining to the reporting or previous year are not stated or commented in the Balance Sheet, the Profit and Loss Account and in the Notes and Comments.
All figures in the Notes have been presented in thousands of euros, rounded to the nearest 0.5 thousand euros.
The Financial Statements include figures for the reporting period, as well as comparative data at 31 December 2016. Where possible, comparative data that cannot be compared to those from the year under review have been adjusted; all such adjustments have been indicated and explained in the Notes and Comments.

Section 3 – Post Balance Sheet Events

There were no significant events after the reporting date of the 2017 financial statements, except as discussed in the following paragraph.

Section 4 – Other Aspects

On 1 January 2018, the merger of BG Fiduciaria Sim S.p.A. into Banca Generali became effective.
Since this business combination qualifies as transaction between entities under common control, it was accounted for in accordance with the principle of the continuity of the values of the transferred assets and liabilities on the basis of the book values indicated in Banca Generali's 2017 consolidated financial statements.

Audit

The Financial Statements were audited by BDO Italia S.p.A. in accordance with the Resolution passed by the Shareholders' Meeting on 17 December 2015 and appointing the said company as the independent auditors for the years 2015-2023, included.

A.2 – Main financial statements aggregates

Accounting standards

This section sets out the accounting standards adopted for the preparation of the Financial Statements as of 31 December 2017, as regards the stages of classification, recognition, measurement and derecognition of the various asset and liability items and the methods of recognition of costs and revenues.

1. Available-for-sale financial assets

This category extends to financial assets – inclusive of financial instruments and non-controlling interests – that are non-derivative and are not otherwise classified as loans and receivables, held-for-trading assets or held-to-maturity investments.
AFS financial assets are initially recognised at their fair value, which normally corresponds to the price paid, in addition to any directly attributable transaction costs, where material and identifiable.
Such assets are tested for impairment at each annual or interim reporting date, or whenever the conditions for impairment testing are met, and any impairment losses are recognised through the profit and loss account.
For equity instruments, a loss is considered significant if it represents a decrease of more than 50% with respect to the average book value of the investments at the test date or a prolonged reduction in fair value with respect to book value for at least 24 months from the reporting date.
If the reasons for impairment loss cease to exist due to an event occurring after the impairment is recognised, the loss is reversed and, in the case of debt instruments, recognised in profit or loss or, in the case of capital instruments, under net equity.
The settlement date is taken as the basis for accounting for trades of securities.
Financial assets are derecognised when the right to receive the cash flows of the financial asset has expired, or when substantially all the risks and benefits of ownership of the asset in question have been transferred.
The brokerage company complies with the Fair Value Policy of the Banca Generali S.p.A. Group, including with regard to assignment to fair value levels 1, 2 and 3.
At 31 December 2017 the only financial instruments classified as available for sale were not measured at fair value, but at purchase cost, adjusted for impairment, if any.

2. Receivables

Receivables fall within the broader category of financial instruments and are composed of all assets that provide for fixed or determinable payments and that are not quoted in an active market (assigned to fair value level 2 or 3). Loans and receivables are initially recognised at the date of disbursement, based on the fair value, i.e., the amount disbursed, including the costs/revenues directly related to the individual loan or receivable and determined at origination, even if settled at a later date. Costs with the above-described characteristics are excluded if they are to be repaid by a third-party borrower or can be considered normal, internal, general and administrative expense.
Subsequent to initial recognition, receivables are recognised at amortised cost, which is equal to the initially recognised value minus or plus principal repayments, impairments or reversals and the amortisation (calculated using the effective interest-rate method) of the difference between the amount disbursed and the amount payable on maturity, which typically comprises the costs and income directly attributable to the individual loan.
The effective interest rate is the rate that equates the discounted future cash outflows (for principal and interest payments) with the amount disbursed including the costs and income relating to the loan. This method of recognition allows the financial effect of the costs and income to be distributed across the expected remaining life of the loan.
The amortised cost method is not used for short-term loans and receivables if discounting to present value is deemed to have a negligible effect. Such receivables are measured at historical cost, and the related costs and income are recognised in profit or loss on a straight-line basis over the contractual duration of the loan. The same method is used to measure receivables with no stated maturity or that are valid until revoked. At 31 December 2017, all receivables were short term and were therefore measured at nominal value, except as stated below.
At annual and interim reporting dates, an impairment test is performed on receivables to determine if there is objective evidence of possible loss in value as a result of events that occurred after their initial recognition.
Transferred receivables are removed from the balance sheet only if the transfer results in the final transfer of substantially all risks and rewards connected to such assets.

3. Property and equipment

Property and equipment include technical systems, furniture, furnishings and other machinery, as well as equipment of any type. They also include assets held exclusively to be used in the provision of services or for administrative purposes and that are expected to be used for more than one year.

Property and equipment are initially recognised at cost, which includes the purchase price, as well as all directly related costs necessary to purchase the asset and bring it into working condition. Extraordinary maintenance costs that increase the future economic benefits of the asset are added to the carrying amount of the asset to which they relate, while routine maintenance costs are recognised through profit or loss.
Property and equipment are measured at cost, less depreciation and impairment losses. They are depreciated each year using the straight-line method, in relation with their residual useful life.
At each annual or interim reporting date, if there is indication that an asset may be impaired, its carrying amount is compared to its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, i.e., the present value of future cash flows expected to be generated by the asset. Impairment losses are recognised in the profit and loss account.
If the reasons for impairment cease to exist, the impairment loss is reversed; the new amount cannot exceed the carrying amount the asset would have had after depreciation, had no impairment loss been recognised.
Property and equipment are removed from the Balance Sheet upon disposal or when permanently withdrawn from use and no future economic benefits are expected from their disposal.

4. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, from which future economic benefits are expected to flow. Absent one of the above characteristics, the cost of purchasing or generating such assets internally is recognised as an expense during the year in which it is incurred.
Intangible assets are recognised when they are identifiable and arise from legal or contractual rights. Software costs refer to application software developed by third parties for company use or purchased with a multi-year licence for use.
Intangible assets are recorded at cost less any incidental expenses when it is probable that the asset will produce future economic benefits and if the cost of the asset can be reliably determined. When this is not the case, the cost of the intangible asset is recognised in the profit and loss account in the period in which it is incurred.
Intangible assets are amortised on a straight-line basis over their useful lives. Intangible assets with indefinite lives are not amortised, but are periodically reviewed to assess the appropriateness of their carrying amount.
Software costs are typically amortised over a three-year period.
Intangible assets are removed from the Balance Sheet on disposal or when no future economic benefits are expected from their use.
As at 31 December 2017 the Company had not recognised any intangible assets.

5. Current and deferred taxes

Income taxes, calculated in compliance with Italy's fiscal legislation, are recognised in the profit and loss account, with the exception of those relating to items posted directly to net equity.
Provisions for income taxes are made based on a conservative estimate of current taxes, and deferred tax assets and liabilities, which are calculated using prevailing tax rates.
Specifically, deferred tax assets and liabilities are calculated based on the temporary differences between the carrying amount of assets and liabilities and their corresponding values for tax purposes.
Deferred tax assets are recognised when it is probable that there will be taxable income of no less than the amount of the differences to be reversed during the years of the reversal of the deductible temporary differences that form the basis for recognising the deferred tax assets.
Deferred tax assets and liabilities are shown separately in the balance sheet and are not offset; deferred tax assets are recorded under "tax assets" and deferred tax liabilities are recorded under "tax liabilities".
Deferred tax assets and liabilities have been adjusted to reflect changes to the law and/or tax rates during the year.

6. Provisions for liabilities and contingencies

Termination Indemnities

Employee termination indemnities, which are governed by Article 2120 of the Italian Civil Code, constitute "post-employment benefits" as defined in IAS 19 — *Employee Benefits*.

Following the entry into force of Italy's 2007 Finance Law, which brought forward to 1 January 2007 the supplementary pension reform enacted by Italian Legislative Decree No. 252 of 5 December 2005, the portions of employees' termination indemnities accrued starting from 1 January 2007 must — depending on the employees' choice — be allocated to a supplementary pension fund or maintained within the company and — in the case of companies with at least 50 employees — transferred to a special fund managed by Italy's national security institute (INPS). Accordingly, obligations to employees have taken on a twofold nature from an accounting standpoint:
> "a defined contribution plan" for termination indemnities accrued by personnel starting on 1 January 2007 whether the employee chooses to redirect such amount to a supplementary pension fund or allocate it to the INPS treasury

fund). For such portions, the amount recognised amongst staff expenses is determined on the basis of the contributions owed, without the application of actuarial calculation methods. The portions paid to supplementary pension funds are recognised in the specific item, whilst the portions paid to the INPS fund are reclassified to the item "employee termination indemnities" by convention;
- "a defined-benefit plan" for the portion of termination indemnities accrued to personnel through 31 December 2006, which is thus recognised on the basis of the actuarial value of the expected future benefit, determined according to the projected unit credit method.

The liability shall however be assessed without pro-rating past service because the current service cost of the termination indemnity has already fully accrued and the revaluation of the same, for the following years, is not deemed to result in material benefits for employees. Accordingly, the annual accrual currently consists solely of the interest cost relating to the revaluation of the expected benefit.
The rate used for discounting is determined by reference to market yields on high quality corporate bonds, taking into account the average time-to-maturity of the liability, and calculated using the percentage paid and expected to be paid for each contractual period compared to the total amount to be paid and expected to be paid until the final settlement of the entire obligation.
Considering that IAS 19R requires that the discount rate is to be determined by reference to the yields on "high-quality corporate bonds," it was decided to use the index IBOXX EURO CORP, formed of AA series.
The plan's service costs have been recognised amongst staff expenses under the item "provisions for post-employment benefits".
Following the entry into force of IAS 19R from 1 January 2013, with the aim of improving financial statement comparability, it was decided to eliminate the option of adopting different treatments for actuarial gains and losses deriving from the assessment of the obligation, i.e., decreases or increases in liabilities deriving from changes in the parameters used for the actuarial assessment (change in the discount rate, estimate of expected staff turnover rates, salary increases, etc.). In fact, changes in liabilities due to actuarial assessments are now required to be recognised in full in other comprehensive income, and thus with a balancing entry to an equity reserve, net of the associated tax effect.
By contrast, in the previous accounting arrangement adopted by the Company the above item was recognised in the profit and loss account according to the corridor method, i.e., the amount of cumulative actuarial gains/losses resulting at the end of the previous year in excess of 10% of the present value of the benefits generated by the plan.
The elimination of this method entailed an impact on the Sim's net equity from the date of first-time application of the new Standard due to the recognition of actuarial gains or losses not previously booked in application of the corridor method.
Finally, actuarial assessments of the provision are conducted net of the 11% substitute tax and 0.50% contribution, which are thus reclassified to the profit and loss account during the year of accrual under a specific item.

Other Provisions

Other provisions for liabilities and contingencies refer to specific costs and charges, which probably or certainly exist, and whose amount or due date have not been calculated at the reporting date.

Provisions for liabilities and contingencies are recognised if, and only if:
- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount of the provision reflects the present value of the resources that are expected to be expended to settle the obligation. Current market rates are used for discounting.
Provisions are recognised in the profit and loss account.

7. Payables

Trade payables are all present obligations to be settled on a pre-determined date.
Payables are recognised at their nominal value. In the case of short-term liabilities where the time-value of money is not material, these are measured at the amount received, and any costs incurred are recognised in the profit and loss account on a straight-line basis for the contractual duration of the liability.
Financial liabilities are removed from the balance sheet when they mature or are settled.

8. Revenue recognition

Revenues are recognised when they are realised or when it is probable that the related future benefits will be received and such benefits can be reliably measured.

A.4 – Information on fair value

This section of the Notes has not been completed since it is not applicable to the Company. No financial Assets or Liabilities designated at fair value have been presented in the financial statements. The available-for-sale financial assets in portfolio as at 31 December 2017 consist solely of equity instruments measured at cost.
The receivables and payables presented in the financial statements have been assigned to fair value level L2.

PART B – INFORMATION ON THE BALANCE SHEET - ASSETS

Section 4 – Available-for-sale financial assets - Item 40

This item includes the equity investment in GBS, Generali Business Solution S.C.p.A., a consortium company specialised in providing IT and administrative services to Assicurazioni Generali Group companies.

4.1 Breakdown of item 40 - AFS financial assets

	31.12.2017			31.12.2016		
ITEMS/VALUES	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
1. Debt securities	-	-	-	-	-	-
- structured securities	-	-	-	-	-	-
- other debt securities	-	-	-	-	-	-
2. Equity securities	-	-	4	-	-	4
of which: valued at cost	-	-	4	-	-	4
3. UCITS units	-	-	-	-	-	-
4. Financing	-	-	-	-	-	-
Total	-	-	4	-	-	4

4.2 AFS financial assets: debtors/issuers

ITEMS/VALUES	31.12.2017 LEVEL 3	31.12.2016 LEVEL 3
1. Debt securities	-	-
a) Governments and Central Banks	-	-
b) Other public institutions	-	-
c) Banks	-	-
d) Financial institutions	-	-
e) Other issuers	-	-
2. Equity securities	4	4
a) Banks	-	-
b) Financial institutions	-	-
c) Other issuers	4	4
- of which: valued at cost	4	4
3. UCITS units	-	-
4. Financing	-	-
a) Banks	-	-
b) Financial institutions	-	-
c) Customers	-	-
Total	4	4

Section 6 – Receivables - Item 60

6.1 Loans and receivables

BREAKDOWN	31.12.2017 BANKS	31.12.2017 FINANCIAL INSTITUTIONS	31.12.2017 CUSTOMERS	31.12.2016 BANKS	31.12.2016 FINANCIAL INSTITUTIONS	31.12.2016 CUSTOMERS
1. Deposits and current accounts	15,510	-	-	12,951	-	-
2. Receivables for services	-	66	3,677	-	83	3,737
Total book value	**15,510**	**66**	**3,677**	**12,951**	**83**	**3,737**
Total fair value	**15,510**	**66**	**3,677**	**12,951**	**83**	**3,737**

The item Receivables increased by 2,482 thousand euros compared to 31 December 2016. Receivables from banks increased by 2,559 thousand euros. Receivables from financial institutions for the provision of services amounted to 66 thousand euros, down by 17 thousand euros compared to 31 December 2016. Receivables from customers, which represent receivables from customers for portfolio management service, decreased by 60 thousand euros.

Section 12 – Tax Assets and Liabilities - Item 120

12.1 Breakdown of item 120 - tax assets: current and deferred

TAX ASSETS	31.12.2017	31.12.2016
Receivables for IRES prepayments	130	294
IRES	-	-
Receivables for amounts withheld	-	-
Receivables for IRAP prepayments	44	43
IRAP	-	-
Sums due from fiscal authorities pursuant to Leg. Decrees 185/08 and 201/11	76	76
Total current tax assets	**250**	**413**
Deferred tax assets for IRES	75	60
Deferred tax assets for IRAP	-	-
Total deferred tax assets	**75**	**60**
Total tax assets	**325**	**473**

Tax assets decreased by 148 thousand euros compared to 2016. Specifically, current tax assets decreased by 163 thousand euros and deferred tax assets rose by 15 thousand euros.

12.2 Breakdown of item 70 - tax liabilities: current and deferred

Deferred tax liabilities are due to the adjustment of termination indemnity in accordance with IAS 19.

TAX LIABILITIES	31.12.2017	31.12.2016
IRES payables for the year	371	402
Prepayments	-371	-402
IRAP payables for the year	95	128
Prepayments	-95	-128
Total current tax liabilities	**-**	**-**
Deferred tax liabilities for IRES	3	3
Deferred tax liabilities for IRAP	-	-
Total deferred tax liabilities	**3**	**3**
Total tax liabilities	**3**	**3**

12.3 Change in deferred tax assets (offsetting entry to the profit and loss account)

Deferred tax assets may be examined as follows, with regards to IRES and IRAP, respectively:

IRES - RELATED DEFERRED TAX ASSETS (OFFSETTING ENTRY TO THE PROFIT AND LOSS ACCOUNT)	31.12.2017	31.12.2016
1. Amount at year-start	**30**	**158**
2. Increases	**27**	**18**
2.1 Deferred tax assets for the year:		
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) reversal value	-	-
d) other	27	18
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases	**-14**	**-146**
3.1 Deferred tax assets eliminated in the year:		
a) transfers	-14	-91
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-54
3.2 Decreases in tax rates	-	-
3.3 Other decreases:	-	-
a) conversion into tax credits pursuant to Law No. 214/2011	-	-
b) other	-	-
4. Amount at year-end	**43**	**30**

12.4 Change in deferred tax liabilities (offsetting entry to the profit and loss account)

Deferred tax liabilities have been accounted for as follows:

IRES - RELATED DEFERRED TAX LIABILITIES	31.12.2017	31.12.2016
1. Amount at year-start	**3**	**3**
2. Increases		
2.1 Deferred tax liabilities recognised for the year:		
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	-
3. Decreases		
3.1 Deferred tax liabilities eliminated during the year:		
a) transfers	-	-
b) change in accounting criteria	-	-
c) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**3**	**3**

12.5 Changes in deferred tax assets (offsetting entry to the net equity)

IRES - RELATED DEFERRED TAX ASSETS (OFFSETTING ENTRY TO NET EQUITY)	31.12.2017	31.12.2016
1. Amount at year-start	**30**	**24**
2. Increases	**1**	**6**
2.1 Deferred tax assets for the year:		
a) relative to prior years	-	-
b) change in accounting criteria	-	-
c) other	-	-
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	1	6
3. Decreases	**-**	**-**
3.1 Deferred tax assets eliminated in the year:		
a) transfers	-	-
b) write-downs for non-recoverability	-	-
c) change in accounting criteria	-	-
d) other	-	-
3.2 Decreases in tax rates	-	-
3.3 Other decreases	-	-
4. Amount at year-end	**31**	**30**

Section 14 – Other assets - Item 140

14.1 Breakdown of item 140 - Other assets

This item amounted to 1,632 thousand euros and is broken down as follows:

OTHER ASSETS	31.12.2017	31.12.2016
Accrued income and deferred charges	501	1,575
Receivables from fiscal authorities for stamp duty	1,123	1,211
Receivables from fiscal authorities for taxes to be refunded	6	21
Receivables from INAIL	2	2
Other assets	-	2
Total	**1,632**	**2,811**

Deferred charges consist of the deferral of expenses of 496 thousand euros incurred by the Company in respect of Exclusive discretionary management services. These expenses accrue over the financial product's holding period in order to ensure the closest possible correlation between costs and revenues. They therefore decline as the holding period to which Exclusive services are subject elapses.

PART B – INFORMATION ON THE BALANCE SHEET - NET EQUITY AND LIABILITIES

Section 1 – Payables - Item 10

1.1 Payables

BREAKDOWN	31.12.2017 DUE TO BANKS	31.12.2017 DUE TO FINANCIAL INSTITUTIONS	31.12.2017 DUE TO CUSTOMERS	31.12.2016 DUE TO BANKS	31.12.2016 DUE TO FINANCIAL INSTITUTIONS	31.12.2016 DUE TO CUSTOMERS
2. Other payables	565	-	-	666	-	-
Total book value	**565**	**-**	**-**	**666**	**-**	**-**
Total fair value	**565**	**-**	**-**	**666**	**-**	**-**

The item Payables decreased by 101 thousand euros. Due to banks chiefly refers to amounts due to the Parent Company Banca Generali (561 thousand euros).

Section 9 – Other liabilities - Item 90

9.1 Breakdown of item 90 - Other liabilities

This item amounted to 1,669 thousand euros and is broken down as follows:

OTHER LIABILITIES	31.12.2017	31.12.2016
Tax authorities	1,112	904
Due to staff	298	274
Due to social security institutions	37	49
Due to suppliers	187	181
Other payables	7	8
Accrued expenses and deferred income	28	28
Total other liabilities	**1,669**	**1,444**

This item increased by 225 thousand euros compared to year-end 2016. It mainly refers to amounts due to tax authorities, social security institutions and staff. At the level of individual items, the main difference has to do with the increase in amounts due to the Treasury for capital gains tax accrued in 2017.

Section 10 – Provisions for termination indemnity - Item 100

10.1 Provisions for termination indemnity: year changes

TERMINATION INDEMNITY	31.12.2017	31.12.2016
A. Amount at year-start	**477**	**430**
B. Increases		
B.1 Provisions for the year	25	28
B.2 Other increases	5	21
C. Decreases		
C.1 Amounts paid	-2	-2
C.2 Other decreases	-	-
D. Amount at year-end	**505**	**477**

Other Information

The amount of termination indemnity can be considered as a non-financial defined benefit plan after the termination of the employment, in accordance with IAS 19.
The provision, amounting to 505 thousand euros, was measured based on the actuarial value using the methods described in Part. A.2 of these Notes and Comments.
The amount of termination indemnity accrued at 31 December 2017 according to statutory accounting rules was 470 thousand euros.
The assumptions adopted are discussed below.

Demographic assumptions

The demographic assumptions adopted are:
> for probability of death, use was made of the "SI2015" mortality tables, separated by gender, in the percentages of 100% for males and 100% for females;
> for disability assumptions, the INPS tables, reduced by 50%, were used;
> for early departures due to resignation/dismissal and advances on termination indemnity, the Company used the following rates:

Constant annual rate of salary increases for executives	7.9%
Constant annual rate of salary increases for administrative staff	3.82%
Constant annual rate of salary increases for production staff	3.12%

Economic and financial assumptions

The economic and financial scenario used for measurement is described in the following table:

"BASE" discounting technique at 31.12.2017	0.9628%
Average future inflation rate	1.50%
Constant annual rate of salary increases	1.50%

Section 11 – Provisions for liabilities and contingencies - Item 110

11.1 Breakdown of item 110 - Provisions for liabilities and contingencies

	31.12.2017	31.12.2016
Provisions for liabilities and contingencies for customers' complaints	51	51
Provision for staff expenses	-	-
Provision for long-term executive incentives	16	-
Deferred welfare provisions	101	59
Total	**168**	**110**

11.2 Year changes in item 110 - Provisions for liabilities and contingencies

	BALANCE AT 31.12.2016	INCREASE	USE	SURPLUS	BALANCE AT 31.12.2017
Provisions for liabilities and contingencies for customers' complaints	51	-	-	-	51
Provision for staff expenses	-	-	-	-	-
Provision for long-term executive incentives	-	16	-	-	16
Deferred welfare provisions	59	42	-	-	101
Total	**110**	**58**	**-**	**-**	168

Provisions for liabilities and contingencies, which amounted to 168 thousand euros, increased by 58 thousand euros compared to December 2016, largely attributable to deferred welfare provisions.
Net provisions for staff recognised in accordance with IAS 19 have been transferred to item 110.a) Staff expenses.

Section 12 – Net Equity - Items 120, 130, 140, 150, 160 and 170

12.1 Breakdown of item 120 - Share capital

TYPES	AMOUNT
1. Share capital	
1.1 ordinary shares	5,200

At 31 December 2017, share capital was fully paid in.
It is composed of 100,000 shares of a nominal value of 52 euro each, 100% held by Banca Generali S.p.A.

12.5 Other information – Breakdown and change of item 160 - Reserves

	LEGAL RESERVE	FTA RESERVE	EXTRAORDINARY RESERVE	PROFITS (LOSSES) CARRIED FORWARD	OTHER	TOTAL
A. Amount at year-start	**1,040**	**1**	**995**	**8,468**	**18**	**10,522**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Allocation of profits	-	-	-	1,721	-	1,721
B.2 Other changes	-	-	-	-	-	-
C. Decreases	**-**	**-**	**-**	**-**	**-**	**-**
C.1 Utilizations:	-	-	-	-	-	-
- coverage of losses	-	-	-	-	-	-
- distribution	-	-	-	-	-	-
- transfer to capital	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-
D. Amount at year-end	**1,040**	**1**	**995**	**10,189**	**18**	**12,243**

ITEMS/VALUES	31.12.2017	POSSIBLE DRAW-DOWNS (1)	RESTRICTED PORTION	UNRESTRICTED PORTION	DISTRIBUTABLE PORTION	UTILIZATIONS
Share capital	**5,200**		**5,200**	**-**	**-**	**-**
Additional paid-in capital (2)	**-**	**A, B, C (2)**	**-**	**-**	**-**	**-**
Reserves	**12,243**	**-**	**-**	**12,243**	**10,189**	**-**
Legal reserve (2)	1,040	B	-	1,040	-	-
Extraordinary reserves	995	A, B, C	-	995	-	-
Other reserves	19	A, B, C	-	19	-	-
Retained earnings	10,189	A, B, C	-	10,189	10,189	-
Valuation reserves	**-87**		**-87**	**-**	**-**	**-**
Negative IAS19 valuation reserve	-87		-87	-	-	-
Net profit (loss) for the year	**948**		**948**	**-**	**-**	**-**
Net equity for accounting purposes	**18,304**		**6,061**	**12,243**	**10,189**	**-**

(1) Availability refers to possible:
A capital increases;
B coverage of losses;
C distribution to shareholders.
(2) May not be distributed until the legal reserve has reached 1/5th of share capital.

12.6 Breakdown and change of item 170 - Valuation reserves

	AFS FINANCIAL ASSETS	PROPERTY AND EQUIPMENT	INTANGIBLE ASSETS	CASH-FLOW HEDGES	SPECIAL REVALUATION LAWS	OTHER	TOTAL
A. Amount at year-start	**-**	**-**	**-**	**-**	**-**	**83**	**83**
B. Increases							
B.1 Fair value positive changes in	-	-	-	-	-	-	-
B.2 Other changes	-	-	-	-	-	4	4
C. Decreases							
C.1 Fair value negative changes	-	-	-	-	-	-	-
C.2 Other changes	-	-	-	-	-	-	-
D. Amount at year-end	**-**	**-**	**-**	**-**	**-**	**87**	**87**

Valuation reserves were formed on the basis of actuarial losses on defined-benefit plans, in accordance with the amendment to IAS 19 discussed in Part A of paragraph A.2. of the Financial Statements as at 31 December 2017.

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

Section 1 – Net income from trading activities - Item 10

1.1 Breakdown of item 10 - Net income from trading activities

Net income from trading activities was 4 thousand euros.

Section 5 – Fees - Items 50 and 60

5.1 Breakdown of item 50 "Fee income"

FEE INCOME	2017	2016
4. Portfolio management		
- own	7,548	8,123
Total fee income	**7,548**	**8,123**

Fee income from core business amounted to 7,548 thousand euros, down by 7.1% on 2016. This decrease was due less to the decline in overall average AUM (-2.4%) than to the decline in the average AUM of the most profitable management line (GPM Exclusive: -21%), which entailed a decrease in the average percentage of management fees of 6%.

5.2 Breakdown of item 60 - Fee expense

FEE EXPENSE	2017	2016
4. Portfolio management		
- own	3,310	3,597
8. Other services	14	8
Total fee expense	**3,324**	**3,605**

Fee expense of 3,324 thousand euros also declined compared with the same period of 2016, but by a slightly higher percentage (-7.8%).
This was due above all to a greater reduction at the end of the year of the prepaid fee expenses as a result of the bonuses granted to customers subscribing for the GPM Exclusive line (the cost of which has been spread over the five-year contractual holding period) as many clients reached the end of their holding periods.

Net fees are broken down below:

	2017			2016		
	FEE INCOME	FEE EXPENSE	NET FEES	FEE INCOME	FEE EXPENSE	NET FEES
Own portfolio management	7,548	3,310	4,238	8,123	3,597	4,526
Other services	-	14	-14	-	8	-8
Overall net fees	**7,548**	**3,324**	**4,224**	**8,123**	**3,605**	**4,518**

The trends in fee income and expense described above resulted in a decline in net fees of 6.5%. Net fees stood at 4,224 thousand euros in 2017, down by 294 thousand euros from 4,518 thousand euros in the same period of 2016.

Section 6 – Interest - Items 70 and 80

6.1 Breakdown of item 70 - Interest income and similar revenues

Interest income and similar revenues amounted to 1.1 thousand euros.

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	REPURCHASE AGREEMENTS	OTHER TRANSACTIONS	OTHER	2017	2016
5.1 Receivables from banks	-	-	1	-	1	-
Total	**-**	**-**	**1**	**-**	**1**	**-**

6.2 Breakdown of item 80 - Interest expense and similar charges

Interest expense and similar charges amounted to approximately 18 thousand euros and refers to interest expense on business with banks.

ITEMS/TECHNICAL TYPES	DEBT SECURITIES	REPURCHASE AGREEMENTS	OTHER TRANSACTIONS	OTHER	2017	2016
1. Due to banks	-	-	18	-	18	-
Total	**-**	**-**	**18**	**-**	**18**	**-**

Section 8 – Net adjustments/reversal value for impairment - Item 100

8.3 Breakdown of sub-item 100.b "Net adjustments/reversal value for impairment of other financial operations"

ITEMS/ADJUSTMENTS	ADJUSTMENTS	REVERSALS	2017	2016
1. Debt securities	-	-	-	-
2. Financing	-	-	-	150
Total	**-**	**-**	**-**	**150**

No impairment losses were recognised on financial assets in 2017. On the other hand, in 2016 an amicable settlement was reached in the arbitration initiated by the Parent Company, Banca Generali, against Intesa Sanpaolo, from which Intesa Fiduciaria (now BG Fiduciaria) had been purchased, resulting in the payment to BG Fiduciaria of the sum of 150 thousand euros.

Section 9 – General and administrative expense - Item 110

9.1 Breakdown of item 110.a - Staff expenses

ITEMS	2017	2016
1. Employees		
a) Wages, salaries and similar charges	725	785
b) Social security charges	216	222
d) Retirement benefit plans	75	58
e) Provision for termination indemnities	31	34
g) Amounts paid to supplementary external pension funds:		
– defined contribution	49	61
h) Other expenses	766	219
2. Other staff	**6**	**3**
3. Directors and Auditors	**53**	**30**
5. Recovery of expenses for staff seconded to other companies	**-225**	**-243**
6. Repayments of expenses for staff seconded to the Company	**184**	**181**
Total	**1,880**	**1,350**

Staff expenses totalled 1,880 thousand euros, up by 530 thousand euros compared to 2016. The difference was due in part to the out-of-period expense of 505 thousand euros approved by the Board of Directors on 6 June 2017 relating to the termination of an manager's employment with effect from 1 July 2017 and, to a lesser extent, to the increase in the 2017 bonuses (+45 thousand euros) due to the positive performances for the year.

9.2 Average number of employees by category

AVERAGE NUMBER OF EMPLOYEES BY CATEGORY	31.12.2017	31.12.2016
Employees	-	-
Managers	1	1
Executives	8	8
Employees at other levels	3	3
Average employees	**12**	**12**
of which: seconded to third parties	***2***	***2***
Staff seconded from third parties	-	-
Employees at other levels	3	3
Secondment total	**1**	**1**
Total headcount	**13**	**13**
Atypical contracts	-	-
Project-based contracts	-	-
Temporary labour contracts	-	-
Total atypical contracts	**-**	**-**
Actual total headcount	**13**	**13**

There were no changes in the actual headcount during the reporting period, although its composition did change. In fact, one executive left and one clerical worker joined the Company under a permanent contract during the year.

9.3 Breakdown of item 110.b - Other administrative expenses

GENERAL AND ADMINISTRATIVE EXPENSE	2017	2016
Indirect staff costs	18	14
Outsourcing and facility services	350	340
Postal expenses	1	10
Telephone expenses	2	7
Indirect taxes and duties	1,066	1,128
Rent and related expenses	50	47
Software fees	-	6
Other consultancy	44	80
Databases	139	137
Auditing	53	77
Sundry maintenance	121	115
Sundry other expenses	153	77
Total	**1,997**	**2,038**

Other administrative expenses, related to the operation of the Company, amounted to 1,997 thousand euros and declined by 2% on the same period of 2016 (2,038 thousand euros). Within the item, "stamp duty" advanced on behalf of customers came to 1,062 thousand euros. This cost is then fully recovered from other operating income and expenses.

Section 13 – Section 13 - Net provisions for liabilities and contingencies - Item 150

13.1 Breakdown of item 150 - Net provisions for liabilities and contingencies

No net provisions for liabilities and contingencies were made in the year.

Section 14 – Other operating income and expenses - Item 160

14.1 Breakdown of item 160 - Other operating income and expenses

Other operating income and expenses include:

OTHER OPERATING INCOME	2017	2016
Contingent assets	14	2
Recovery of taxes from customers	1,062	1,125
Release of excess provision for staff expenses	34	34
Out-of-period income due to adjustments of staff expenses accrued in previous years	-	-
Release of excess provision for staff taxes from previous year	-	-
Other	3	-
Total	**1,113**	**1,161**
Other operating expenses		
Adjustments on receivables	-	-
Contingent liabilities	10	14
Proceeds of damage claim payout	-	-
Other	-	-
Total	**10**	**14**
Total other operating income and expenses	**1,103**	**1,147**

Other operating income and expenses amounted to 1,103 thousand euros and were almost entirely attributable to the recovery of stamp duty advanced on behalf of customers (1,062 thousand euros).

Section 17 – Income tax for the year for current operations - Item 190

17.1 Breakdown of item 190 - Income tax for the year for current operations

TAXES	2017	2016
1. Current taxation		
- IRES	371	402
- IRAP	96	128
2. Change in prior years' current taxes	35	-2
4. Changes of prepaid taxation	-13	127
5. Changes of deferred taxation	-	-
Taxes for the year	**489**	**655**

PART D – OTHER INFORMATION

Section 1 – Focus on specific activities

C. Portfolio management

C.1 Total value of customer assets

	TOTAL AT 31.12.2017			TOTAL AT 31.12.2016		
	OWN	GOVERNMENT BONDS	MANAGEMENT ON BEHALF OF THIRD PARTIES	OWN	GOVERNMENT BONDS	MANAGEMENT ON BEHALF OF THIRD PARTIES
1. Debt securities	195,619	-	-	255,691	-	-
of which: government securities	-	*72,566*	-	-	*145,639*	-
2. Equity securities	49,558	-	-	49,673	-	-
3. UCITS units	392,919	-	-	354,771	-	-
5. Other assets	31,246	-	-	61,109	-	-
Total customer assets	**669,342**	**72,566**	**-**	**721,244**	**145,639**	**-**

C.2 Own management and management on behalf of third parties: transactions during the year

	TOTAL AMOUNT		
	TRANSACTIONS WITH GROUP COUNTERPARTIES	TRANSACTIONS WITH OTHER COUNTERPARTIES	TRANSACTIONS WITH THE BROKERAGE FIRM
A. Own management			
A.1 Purchases during the year	525,782	164,448	-
A.2 Sales during the year	564,859	131,169	-

C.3 Own management: net inflows/outflows and number of contracts

	31.12.2017	31.12.2016
Inflows during the year	157,425	106,626
Redemptions during the year	222,424	170,877
Number of contracts	749	999

L. Commitments

L.2 Other commitments

Other commitments consist of securities to be received and delivered for transactions to be settled, exclusively in connection with transactions undertaken on account of customers, the details of which are provided in the following point.

Securities to be received for transactions to be settled (executed on behalf of customers managed):

	31.12.2017	31.12.2016
Government securities	-	564
Other debt securities	-	403
Shares	-	3,470
Total	**-**	**4,437**

Securities to be delivered for transactions to be settled (executed on behalf of customers managed):

	31.12.2017	31.12.2016
Government securities	-	404
Other debt securities	-	241
Shares	-	491
Total	**-**	**1,136**

Section 2 – Information on Risks and Risk Hedging Policies

The risks to which the Company is exposed are:
> risks of a financial nature, depending on how financial assets and cash are invested;
> risks of an operational nature, depending on the management of third-party assets;
> Liquidity risk.

2.2 Operating Risks

Qualitative information

1. General Aspects

Operating risk can be defined as the possibility of loss resulting from the inadequacy or failure of processes, human resources or internal systems, or from external events. This category includes losses deriving from fraud, human error, interrupted operations, system breakdown, breaches of contract, and natural disasters. Operating risk includes legal risk, which is the risk of losses arising from breaches of laws or regulations, liability under contract or in tort, or other disputes.
Operating risk is intrinsically linked to all of the SIM's operations that involve the use of human resources, processes, systems and tangible and intangible assets.
The Risk Management function, outsourced to Banca Generali, is responsible for identifying, measuring, controlling and managing operating risks.
The Internal Audit function, outsourced to Banca Generali, checks and assesses the functionality of corporate systems and procedures, as well as the overall internal control system adopted with a view to ensuring that all of the same are appropriate, effective and fully operational.
The loss measurement systems are accounting by nature and are subject to monitoring by assigned structures through information system files.
To reinforce the efficacy of the control safeguards identified, the Company's Board of Directors, in compliance with legal obligations, has approved a Business Continuity Plan.
Moreover, the company has insurance coverage for operating risks deriving from acts of third parties or caused to third parties and for damages caused by providers of infrastructure and services.

2.3 Credit Risk

Qualitative information

1. General Aspects

Credit/counterparty risk refers to the possibility that a counterparty will become insolvent or a borrower will be unable to meet its obligations or unable to meet them on time. More specifically, credit risk is the possibility that an unexpected change in a counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated exposure.
BG Fiduciaria does not engage in lending. The credit exposures presented in its financial statements refer solely to current account balances and amounts receivable arising from management business. Credit risk is assessed according to the instructions provided by the Supervisory Authority, drawing the data from the accounting system and reclassifying it according as required for the analysis.

Quantitative information

The Company does not provide financing of any kind.

2.4 Liquidity Risk

Qualitative information

1. General aspects, management processes and measurement methods for liquidity risk

Exposure to liquidity risk is inherent in inflows and outflows of resources in the normal course of the Company's business. Such risk takes the form of default on payment obligations, which may be caused by an inability to raise funds (funding liquidity risk) or the existence of limits on the divestment of assets (market liquidity risk). Liquidity risk also includes the risk that an entity may be forced to meet its own payment obligations at non-market costs, that is to say while incurring a high cost of funding or (and in some cases concurrently) sustaining capital losses when divesting assets.
The Company has elected to hold its cash in an account opened in its name with the Parent Company, Banca Generali S.p.A., with the aim of mitigating and reducing to a minimum the risks inherent in investment of its cash.
The Company has adopted a liquidity risk management policy that specifies the bodies and functions involved in the management of this type of risk and sets out the guidelines for the identification, measurement, control and reporting of the risk.

Quantitative information

1. Breakdown of financial assets and liabilities by remaining contractual maturity

Receivables from banks of 15,510 thousand euros and amounts due to banks of 565 thousand euros are to be regarded as at sight.

ITEM/TIME-TO-MATURITY	ON DEMAND	OVER 1 DAY UP TO 7 DAYS	OVER 7 DAYS UP TO 15 DAYS	OVER 15 DAYS UP TO 1 MONTH	OVER 1 MONTH UP TO 3 MONTHS	OVER 3 MONTHS, UP TO 6 MONTHS	OVER 6 MONTHS, UP TO 1 YEAR	OVER 1 YEAR, UP TO 3 YEARS	OVER 3 YEARS, UP TO 5 YEARS	OVER 5 YEARS	INTERMEDIATE DURATION
Cash assets											
A.4 Other assets	19,253	-	-	-	-	-	-	-	-	-	-
Cash liabilities											
B.3 Other liabilities	1,669	-	-	-	-	-	-	-	-	-	-

Item A.4 Other assets of 19,253 thousand euros is composed of 15,510 thousand euros of current accounts held with credit institutions, 66 thousand euros of amounts due from financial institutions and of 3,677 thousand euros of amounts due from customers.

Section 3 – Net equity

3.1 Net equity

3.1.1 Qualitative information

The main objective of the management strategy is to ensure that its equity and ratios are consistent with its risk profile and comply with regulatory requirements.
The brokerage firm is subject to the minimum net equity requirements established by Legislative Decree No. 58 of 24 February 1998, as amended.
These rules establish a specific notion of net equity, as defined by the Supervisory Authority, which may be distinguished from net equity for accounting purposes or "net equity proper". In any event, regulatory net equity may not be less than the minimum amount required for authorisation to conduct business, as mandated by applicable legislation.
The brokerage firm regularly monitors that it is in compliance with minimum net equity requirements and devotes considerable attention to the adequacy of its net equity in view of its development prospects and risk performance. Such review of performance is connected to advance control mechanisms by the unit responsible for calculation, which

monitors and supervises compliance with regulatory ratio requirements, reporting to management on the corrective measures to be taken to ensure proper supervision of net equity aggregates and the actions required to comply with the constraints imposed by the Supervisory Authority.

3.1.2 Quantitative information

A detailed breakdown of the company's net equity is provided in Section 12 of Part B - Net Equity and Liabilities — of the Notes, including annual changes in reserves.

3.1.2.1 Breakdown of net equity

ITEMS/VALUES	31.12.2017	31.12.2016
1. Share capital	**5,200**	**5,200**
2. Additional paid-in capital	**-**	**-**
3. Reserves	**12,243**	**10,522**
- Profit reserves:		
a) legal reserve	1,040	1,040
d) other – retained earnings	10,189	8,468
- Other:		
a) contribution to AG stock grant	-	-
b) other reserves	1,014	1,014
5. Valuation reserves	**-87**	**-83**
- Actuarial gains/losses from defined benefit plans	-87	-83
7. Net profit (loss) for the year	**948**	**1,721**
Net equity for accounting purposes	**18,304**	**17,360**

3.2 Own funds and surveillance coefficients

3.2.1 Own funds

3.2.1.1 Qualitative information

Own funds and capital ratios have been calculated based on the balance sheet and profit and loss account, which were prepared in accordance with IAS/IFRS, and bearing in mind the new rules defined in the EU Regulation No. 575/2013. The objective of the new provisions is to ensure consistency between the criteria for determining own funds and capital ratios and IAS. Own funds are the main parameter used in assessing the stability of individual intermediaries and of the industry as a whole and in prudential supervision of risks. According to both the current and previous rules, own funds are calculated as the sum of tier 1 capital and tier 2 capital, if any, less the items to be deducted in accordance with prudential supervisory rules.

TIER 1 CAPITAL	31.12.2017	31.12.2016
Tier 1 Capital - Positive items	**17,477**	**15,753**
Subscribed capital	5,200	5,200
Reserves other than valuation reserves	12,243	10,522
Total positive items in Tier 1 capital	34	31
Tier 1 Capital - Negative items	**87**	**83**
Other intangible assets	-	-
Total negative items in Tier 1 capital	87	83
Total Tier 1 Capital	**17,390**	**15,670**

3.2.1.2 Quantitative information

Own funds are composed of:
> Tier 1 Capital: the positive components of tier 1 capital are the traditional items capital, reserves and retained earnings; the negative components are intangible assets, losses carried forward and material losses for the current period;
> Tier 2 capital: there are no items to be included in tier 2 capital;
> Other negative elements of own funds (elements to be deducted): there are no elements to be deducted;
> Amount of own funds.

The following is a brief account of the structure of own funds, broken down into its main Tier 1 and Tier 2 components. Own funds amounted to 17,390 thousand euros at 31 December 2017, up by 1,720 thousand euros compared to year-end 2016.

		31.12.2017	31.12.2016
A.	**Common Equity Tier 1 – CET1 before application of prudential filters**	**17,356**	**15,639**
	of which CET1 instruments covered by phase-in provisions	-	-
B.	CET1 prudential filters (+/-)	34	31
C.	**CET1 gross of elements to be deducted and effects of the phase-in (A +/- B)**	**17,390**	**15,670**
D.	Elements to be deducted from CET1	-	-
E.	Phase-in – impact on CET1 (+/-)	-	-
F.	**Total Common Equity Tier 1 capital - CET1 (C - D+/- E)**	**17,390**	**15,670**
G.	Additional Tier 1 capital (AT1) gross of elements to be deducted and phase-in effects	-	-
	of which: AT1 instruments covered by phase-in provisions	-	-
H.	Elements to be deducted from AT1	-	-
I.	Phase-in — impact on AT1 (+/-)	-	-
L.	Additional Tier 1 capital (AT1) (G - H +/- I)	-	-
M.	Tier 2 capital (T2) gross of elements to be deducted and phase-in effects	-	-
	of which: T2 instruments covered by transitional provisions	-	-
N.	Elements to be deducted from T2	-	-
O.	Phase-in — impact on Tier 2 (+/-)	-	-
P.	Total Tier 2 capital (T2) (M - N +/- O)	-	-
Q.	**Total Own Funds (F + L + P)**	**17,390**	**15,670**

3.2.2 Capital Adequacy

3.2.2.1 Qualitative information

Capital adequacy is determined by verifying that the amount of the own funds of BG Fiduciaria is not less than the sum of the greater of:
> the capital requirement required to ensure compliance at the level of the “credit and counterparty risk” ratio. To determine this, the Bank of Italy establishes a requirement that is calculated by applying the risk-weighting factors associated with each debtor to risk assets, taking account of any guarantees received, and multiplying risk-weighted assets by the coefficient of eight percent;
> the capital requirement to ensure the compliance of the “other risks” coefficient. The Bank of Italy requires that this capital requirement be calculated as capital equal to 25% of the fixed operating costs reported in the most recent approved annual financial statements.

3.2.2.2 Quantitative information

The following table provides an overview of the two capital requirements applicable to the brokerage firm:

	31.12.2017	31.12.2016
Capital requirement for counterparty and credit risk	559	522
Capital requirement for other risks	513	547
Capital requirement for operating risk	-	-
Total capital requirement according to prudential regulations	513	547
Risk-weighted assets and regulatory capital ratios		
1 Risk-weighted assets	6,987	6,519
2 CET1 capital/Risk-weighted assets (CET1 capital ratio)	249%	240%
3 Tier 1 capital/Risk-weighted assets (T1 capital ratio)	249%	240%
4 Total own funds/Risk-weighted assets (Total Capital Ratio)	249%	240%

Section 4 – Analytical Statement of Comprehensive Income

ITEMS (€)	31.12.2017	31.12.2016
10. Net profit (loss) for the year	947,765	1,721,366
Other income net of income taxes, without transfer to Profit and Loss Account		
40. Defined benefit plans	-4,192	-15,050
130. Total other income net of income taxes	**-4,192**	**-15,050**
140. Comprehensive income (Items 10 + 130)	**943,573**	**1,706,316**

Section 5 – Related Party Transactions

Related parties are defined as per IAS 24, concerning related party disclosures in financial statements, adopted in compliance with the procedure established by Art. 6 of EC Regulation No. 1606/2002.

According to this standard, a party is related to an entity if:
> directly, or indirectly through one or more intermediaries, the party:
  – controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and associates);
  – has an interest in the entity that gives it significant influence over the entity;
  – has joint control over the entity;
> the party is an associate of the entity as defined in IAS 28;
> the party is a joint-venture in which the entity is a venturer as per IAS 31;
> the party is a member of the key management staff of the entity or its parent;
> the party is a close member of the family of any individual referred to in (a) or (d);
> the party is an entity that is jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e);
> the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

5.1 Disclosure on the remuneration of key management personnel

There are no Key Management Personnel in the company.

5.2 Receivables from and guarantees issued for the benefit of directors and statutory auditors

The Company has not issued any loans or guarantees for the benefit of directors and statutory auditors.

5.3 Disclosure of related party transactions

The following is a summary of the main items of the balance sheet and profit and loss account as at and for the year ended 31 December 2017 influenced by transactions with the Banca Generali Group and Assicurazioni Generali Group.

COUNTERPARTY	ASSETS	NET EQUITY AND LIABILITIES	CHARGES	INCOME
Banca Generali S.p.A.	15,509,737	588,691	2,679,049	69,955
Generfid S.p.A.	-	-	-	154,263
BG Fund Management Luxembourg S.A.	-	96,455	194,702	-
Other entities of the Assicurazioni Generali Group	208,671	6,750	93,444	629,027
Total	**15,718,408**	**691,896**	**2,967,195**	**853,245**

Information on company's management and coordination

BG Fiduciaria SIM S.p.A. is a subsidiary of the company Banca Generali S.p.A., with registered offices in Trieste at via Machiavelli. Pursuant to Article 2497-*bis* of the Italian Civil Code, BG Fiduciaria SIM S.p.A. is subject to Banca Generali S.p.A.'s management and coordination activities. A summary of the main items of Banca Generali S.p.A.'s latest Financial Statements is reported hereunder.

Milan, 1 March 2018

The Board of Directors

FINANCIAL STATEMENTS OF THE PARENT COMPANY BANCA GENERALI AT 31.12.2016

Reclassified Balance Sheet

Assets

	31.12.2016
Cash and deposits	583,356,168
HFT financial assets	38,560,001
AFS financial assets	4,409,313,232
HTM financial assets	731,360,756
Due from banks	319,982,653
Due from customers	1,843,231,181
Equity investments	16,224,545
Property, equipment and intangible assets	93,443,394
Tax receivables	44,018,092
Other assets	232,385,073
Total assets	**8,311,875,095**

Net Equity and Liabilities

	31.12.2016
Due to banks	802,701,547
Due to customers	6,738,733,731
HFT financial liabilities	1,168,718
Tax payables	9,323,304
Other liabilities	116,360,639
Special purpose provisions	121,354,565
Valuation reserves	9,158,217
Reserves	201,028,404
Additional paid-in capital	53,803,000
Share capital	116,424,502
Treasury shares (-)	-2,932,856
Net profit (loss) for the period (+/-)	144,751,324
Total liabilities and net equity	**8,311,875,095**

Reclassified Profit and Loss Account

	2016
Interest income and similar revenues	61,780,099
Interest expense and similar charges	-3,114,220
Net interest income	**58,665,879**
Fee income	412,639,187
Fee expense	-268,333,736
Net fees	**144,305,451**
Dividends	132,425,373
Net income (loss) from trading activities	2,383,127
Gain (loss) from sale or repurchase of receivables	2,204,039
Gain (loss) from sale or repurchase of other assets	28,166,979
Net banking income	**368,150,848**
Net adjustments/reversals due to impairment of receivables	1,770,626
Net adjustments/reversals due to impairment of other assets	-2,699,000
Net income (loss) from trading activities	**367,222,474**
Staff expenses	-74,482,791
Other general and administrative expense	-136,532,300
Net provisions for liabilities and contingencies	-34,691,232
Net adjustments of property, equipment and intangible assets	-5,881,500
Other operating expenses/income	43,341,594
Operating expenses	**-208,246,229**
Gains (losses) from the disposal of equity investments	21,715
Profit (loss) from operating activities before income taxes	**158,997,960**
Income taxes for the year on operating activities	-14,246,636
Profit from operating activities net of income taxes	**144,751,324**
Net profit (loss) for the year	**144,751,324**

INDEPENDENT AUDITORS' REPORT

pursuant to Articles 14 and 19-bis of Legislative Decree No. 39, dated January 27, 2010

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.

To the Shareholder of
BG Fiduciaria SIM S.p.A.

Report on the financial statements

Opinion

We have audited the financial statements of BG Fiduciaria SIM S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2017, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes on the financial statements, including a summary of significant accounting policies.
In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulation issued to implement Article 43 of Legislative Decree No. 136/15.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.
We are independent of the Company in accordance with the ethical and independence requirements applicable in Italy to the audit of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without prejudice to our opinion, we draw attention to the management's disclosure made included in the report on operations and in the notes to the financial statements regarding the fact that the Company will be merged into Banca Generali by December 31, 2017, with effect as of January 1, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, as well as the regulations issued to implement Article 43 of Legislative Decree No. 136/15, and, within the terms provided for by the law, for such internal control as directors determine is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA

Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
As part of an audit in accordance with ISA Italia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also have:

> Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
> Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
> Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
> Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.
  However, future events or conditions may cause the Company to cease to continue as a going concern;
> Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, as properly identified in accordance with ISA Italia, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of BG Fiduciaria SIM S.p.A. are responsible for the preparation of the report on operations of BG Fiduciaria SIM S.p.A. as at December 31, 2017, including its consistency with the relevant financial statements and its compliance with the applicable laws and regulations.
We have performed the procedures required under audit standard (ISA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of BG Fiduciaria SIM S.p.A. as at December 31, 2017 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.
In our opinion, the report on operations is consistent with the financial statements of BG Fiduciaria SIM S.p.A. as at December 31, 2017 and is compliant with applicable laws and regulations.
With reference to the assessment pursuant to Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Milan, March 20, 2018

BDO Italia S.p.A.
(signed in the original)
Rosanna Vicari
Partner

REPORT OF THE BOARD OF STATUTORY AUDITORS

To the Sole Shareholder called to approve the 2017 Financial Statements

Shareholders,
As you are aware, BG Fiduciaria SIM S.p.A. was merged into Banca Generali S.p.A. with effect from 1 January 2018. The Board of Directors of the surviving company, as the only company still existing at year-end, has prepared the financial statements for the year ended 31 December 2017 and submitted them for our review.

The Board of Statutory Auditors of the surviving company — responsible for this report — further clarifies that it referred to the minutes of the Board of Statutory Auditors of BG Fiduciaria SIM S.p.A., in office until 31 December 2017, with regard to certifications of circumstances relating to 2017 and observations made during the previous year.

We have thus examined the Company's financial statements for the year ended 31 December 2017, composed of the Report on Operations, the Accounts proper and the Notes, as approved by the surviving company's Board of Directors on 1 March 2018 and duly submitted to the Board of Statutory Auditors.

As required by law, during the year the supervisory function assigned to the Board of Statutory Auditors was performed in accordance with the principles of conduct of boards of statutory auditors established by Italy's National Council of Accountants and Accounting Experts, as mandated by Article 19 of Legislative Decree No. 39 of 27 January 2010.

According to the minutes documenting the verification performed by the statutory auditors and company events, the previous Board of Statutory Auditors carried out the following major activities during the year:
> it participated in one session of the Shareholders' Meeting, held in ordinary form in March 2017, and in all seven meetings of the Board of Directors, receiving adequate information from the Directors on the Company's earnings, assets and liabilities, operating result, business outlook and most significant transactions, and it verified that individual meetings were properly conducted and that the resolutions passed and actions taken were compliant with the law and the Articles of Association, were non imprudent in nature and did not present improperly managed conflicts of interest;
> met periodically to conduct its audits, recording 6 meetings in its book;
> it systematically monitored internal control activity, which is outsourced to the departments of the Parent Company, Banca Generali (the Compliance Department, Anti Money Laundering Department, Risk and Capital Adequacy Department and Internal Audit Department) and met periodically with function heads to give its remarks on the annual and periodic reports on activity performed and the plans to be executed and to verify the state of implementation of the plans of activity and results achieved. On the whole, the Internal Control System is deemed adequate;
> it verified the Company's general compliance with sector legislation and obligations to correspond with or disclose information to the Supervisory Authorities, and in particular the Report on Investment Services was updated and the Portfolio Management Rules were amended;
> it assessed and verified the adequacy of the administrative and accounting system and its reliability in representing operating events;
> it acquired information and monitored the adequacy of the Company's organisation structure;
> it checked that the Company has adopted regulations, processes and structures suitable for monitoring and overseeing the risks related to the Company's activities, as described in the Report on Operations;
> it acknowledged that the Company had discharged its obligations with respect to measures aimed at preventing and combating money-laundering and financing for terrorism relating to the reporting of suspicious transactions, supervising the proper fulfilment of enhanced and standard customer due diligence obligations and submitting aggregate statistical information and data to the Consolidated Electronic Archive using the diagnostic software adopted;
> it acknowledged that, despite the repeal of Article 34, paragraph 1, of Legislative Decree No. 196/2003, the Company drew up a document entitled Privacy Report, replacing its Data Security Plan, about which a report was presented to the Board of Directors' meeting held in May 2016. In fact, it was considered that this document represents an adequate security measure providing protection against the risks of the destruction or loss of data, unauthorised access or improper processing, pursuant to Article 31 of Legislative Decree No. 196/2003.
> it acknowledged that the Report on Operations states that the Company does not now hold, nor has it ever held, own shares or shares of the Parent Company, and also reported that the Company did not engage in research and development activity during the year ended 31 December 2017;
> it acknowledged that the Company meets the capital requirements established by the supervisory regulations in the sector.
> it acknowledged that no complaints were received during the year pursuant to article 2408 of the Italian Civil Code.
> it acknowledged that the Board of Directors has applied updates to the Banking Group's rules.

In view of the foregoing, during the year no material facts emerged that would require reporting to the competent Supervisory Authorities or mention in this Report.

*****

The Board of Statutory Auditors of the surviving company acknowledges that the Company is managed and coordinated by Banca Generali S.p.A., that transactions with the Banca Generali Group and Assicurazioni Group have been disclosed in the Report on Operations and Explanatory Notes and that such transactions are governed by specific intra-group contracts, drafted according to the principles of fairness, transparency and uniformity.

Key figures from the most recent approved financial statements of the Parent Company, Banca Generali S.p.A., are presented in the Explanatory Notes.

The main items of the balance sheet and profit and loss account as at and for the year ended 31 December 2017 influenced by transactions with the Banca Generali Group and Assicurazioni Generali Group are summarised in the Explanatory Notes.

The Financial Statements of BG Fiduciaria were audited by BDO Italia S.p.A. in accordance with the Resolution passed by the Shareholders' Meeting on 17 December 2015 and appointing the said company as the independent auditors for the years 2015-2023, included.

No assignments other than auditing and attestation have been granted to the Independent Auditors; the fees paid to the Independent Auditors are reported in Annex 1 to the Explanatory Notes.

The previous Board of Statutory Auditors engaged in constant exchanges of information with the Independent Auditors, during which the auditing strategy was also presented.

The Board of Statutory Auditors acknowledges that it did not encounter any significant difficulties in gaining access to the information required for auditing or any unwillingness on the part of Company personnel to supply the requested accounting document promptly. Furthermore, there were no noteworthy deficiencies in the internal control system applicable to the financial reporting process.

The Board of Statutory Auditors acknowledges that the Independent Auditors presented their Report pursuant to Articles 14 and 19-bis of Legislative Decree No. 39/2010, containing a clean opinion, to the shareholder today.

*****

The Board of Statutory Auditors supervised the general structure given to the financial statements and their compliance with laws and specific regulations.

The financial statements that are submitted for your approval accurately reflect the Company's operating and financial performance.

The financial statements have been prepared in accordance with the IASs/IFRSs set out in Article 1 of Legislative Decree No. 38 of 28 February 2005, on the basis of the instructions from the Bank of Italy governing the preparation of financial statements for sector operators.

The Notes and Comments explain the accounting criteria adopted and provide the necessary information as required by current laws, including information on credit risk, market risk, liquidity risk and operating risk.

In its Report, the Board of Directors clarifies that no significant events occurred after the reporting date and provides you with an extensive account of operating performance for the year.

In view of the above, the Board of Statutory Auditors believes that the draft financial statements for the year ended 31 December 2017 may be approved by you as presented by the Board of Directors of the surviving company.

Milan, 20 March 2018

The Board of Statutory Auditors
Massimo Cremona
Flavia Daunia Minutillo
Mario Anaclerio

3.

ANNEXES

Board of Directors
1 March 2018

SCHEDULE 1

Disclosure of auditing fees pursuant to Article 149-*duodecies* of Consob Regulation 11971

The following table shows a breakdown of the fees paid to the independent auditors engaged to audit the financial statements, as well as the entities in the network to which the auditing firm belongs; amounts are net of VAT, out-of-pocket expenses and Consob contributions.
The fees approved by the General Shareholders' Meeting on 17 December 2015 for the auditing of the financial statements and bookkeeping services for 2017 amounted to 50,000 thousand euros.

TYPE OF SERVICE	SERVICE PROVIDER	(€ UNITS)
Audit	BDO Italia S.p.A.	50,000

BG Fiduciaria SIM S.p.A.

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Operational offices
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ph. +39.02.68826511
fax +39.02.68804540

Share capital
5,200,000.00 euro, fully paid up

Tax code, VAT No. and Trieste
register of companies
01374720157

Enrolled, by resolution No. 11762 of 22 December 1998,
at No. 2 with the Register of Trust
Companies kept by Consob

Member of the National Guarantee Fund
Pursuant to article 62 of Legislative Decree No. 415 of 23 July 1996

A single-shareholder company subject to management
and coordination by Banca Generali S.p.A.
and a member of the Banca Generali Group, registered with the Banking Group Register

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BG FIDUCIARIA
BANCA GENERALI

BG FIDUCIARIA SIM S.P.A.

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